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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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EAST EUROPE REPORT

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BULGARIA

INTERNAL AFFAIRS OFFICIAL STRESSES DISCIPLINE, COMPETENCE

Sofia NARODEN STRAZH in Bulgarian 25 Sep 85 p 1

[Article by Maj Gen Nikola Lalchev, first secretary of the BCP Rayon Committee Under the Ministry of Internal Affairs: "Up to Today's Increased Demands"]

[Text] A crucial time has arrived for the party bodies and organizations in the MVR [Ministry of Internal Affairs], as a complete cycle of report-election meetings and conferences is to be held. They will be carried out completely under the influence of the nationwide work and struggle to successfully fulfill the economic and social development program outlined by the 12th BCP Congress and for properly celebrating the 13th Party Congress and the 30th Anniversary of the April Plenum of the BCP Central Committee.

The great political, ideological and applied importance of the materials of the February Plenum of the BCP Central Committee (1985) and the Report of Comrade T. Khivkov on the style and methods of work demands that these become the basis for the preparation and holding of the meetings and conferences as well as be the chief criterion for assessing what has been done and for working out what has yet to be done.

The report-election campaign must make a comprehensive and critical analysis of the diverse work of the party bodies and organizations in carrying out the highly responsible tasks of ensuring security and public order in the nation and creating optimum conditions for the calm, peaceful and creative labor of the people. For this purpose it is essential on all levels to bring out the still unresolved problems and outline the approaches and ways for solving them. These have been worked out in the report of the Candidate Member of the Politburo of the BCP Central Committee and Minister of Internal Affairs, Col Gen Dimitur Stoyanov and presented by him on 16 May 1985 before the national conference of the most responsible party, state, economic and social aktiv of the nation on the questions of security and vigilance, in his instructions and in the measures of the Collegium and leadership of the ministry. These are tasks stemming from the decisions of the plenums of the BCP rayon committees and the national meetings of the MVR of 19 June and 8 July 1985.

In the content of the report-election meetings it is essential to bring out the specific features and individual make-up of each PPO [primary party organization]. The end results of the work must be realistically assessed as these are the most important proof of the effectiveness of the party bodies and official leadership. Particular attention must be given to an analysis of political work as well as to the quality and effective fulfillment of operational, scientific-technical, investigatory, security, administrative-managerial and other official and production tasks. An objective party assessment must be made of the forms, methods and means for unleashing the creativity and activeness of the communists and all employees. Specific answers must be given to the question of whether the personnel is maintaining high mobilization to promptly disclose, prevent and thwart the plans and actions of the enemy and hostile-criminal elements, is dependable protection and security of the economy ensured, is a successful struggle being waged against subversion, sabotage and corruption, are fires and disasters being limited and so forth. It is essential to seek personal party responsibility from those communists who are working laxly or without the necessary purposefulness, who do not observe the work principles in the MVR and do not strictly carry out the orders of the ministry leadership and their functional duties.

An important focus in the meetings and conferences is an analysis of party work in consistently applying the requirements and criteria of the February Plenum as well as disclosing the personal contribution of each employee and particularly the leadership, the scientific personnel and specialists in introducing scientific and technical innovations to intensify the activities of the MVR bodies. Again, but not formally and routinely, rather concretely and with the necessary acuteness, the questions must be posed related to the application of the political approach and the strengthening of discipline. We must thoroughly discuss the fulfillment of the programs of the leadership and the decisions of the plenum of the BCP Rayon Committee for improving professional competence and bettering personnel work, as well as raising the level of exactingness in assessing the political, professional and personal qualities of the employees.

At the meetings and conferences a specific analysis must be made of the effectiveness of ideological work. We must ascertain whether or not there is an organic link of Marxist-Leninist education, class-party, labor, moral and aesthetic indoctrination, mass political work and visual agitation with the main problems being carried out by the MVR bodies at the present stage. Is every misdeed skillfully responded to, is a situation of intolerance created against anyone who obstructs the effective labor of our employees. Special attention must be paid to individual political work through the prism of the review held in the rayon party organization. We must particularly accentuate the question of whether a study is being made of the conduct of the communists and employees in their family circle and among their friends, their sociopolitical activity in their place of residence and so forth.

The questions of party organizational work must be profoundly and thoroughly discussed. At the center of the analysis should be the real ability of the party organizations to be the leading political force of the collectives. Are practical measures being undertaken to bring the style and methods of work

into conformity with the demands of the Report of Comrade T. Zhivkov. Is a situation being created to further internal party democracy, criticism and self-criticism and to form a microclimate in which one can work creatively, act effectively and everyone can say what he thinks without fearing that bad consequences could ensue for him? Are the opinions, proposals and attitudes of the people being studied so that the PPO will be not only consumers but also sources of information concerning the real state of the collectives, the arising trends and problems, the negative phenomena and failures?

In preparing for the report-election meetings and conferences, it is essential to most actively involve the members of the BCP Rayon Committee, the party committees in the divisions as well as the entire party and official aktiv. This will strengthen the analyticalness and criticalness of the materials and will focus the attention of the communists on resolving the most urgent and acute problems of the collectives.

For the elective bodies they must present communists who possess high political and professional qualities and possess official and social authority and respect.

An intense but beneficial stage in the life of the party bodies and organizations is at hand. The BCP Rayon Committee is confident that the report-election meetings and conferences will be held on a high political and organizational level as is required by the decisions of the Politburo of the BCP Central Committee, by the present political and operational situation and the new tasks which we are carrying out.

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CSO: 2200/13

BULGARIA

EDITORIAL CALLS FOR HIGHER DISCIPLINE IN ARMY

Sofia NARODNA ARMIYA in Bulgarian 25 Sep 85 p 1

[Editorial: "An Important Factor in Improving the Quality of Military Service"]

[Text] The National Party Conference on Quality, the subsequent plenums of the BCP Central Committee and particularly the Report of Comrade Todor Zhivkov to the Politburo of the Party Central Committee of April 1985 have placed high demands on discipline. These demands relate with particular strength to military discipline, as this is the main factor for improving the quality of military service and one of the most important component parts of combat readiness.

Party political work plays a major role in the strengthening of military discipline. This is caused by its basic purpose of having a direct effect on increasing the political awareness and labor activity of the servicemen. In many units this role is correctly understood and work is constantly underway to increase its contribution in this area.

As a positive example one might point to the unit where Officer Dobrev serves. Here the questions of discipline are at the center of party political work. The commanders, political workers, the party and Komsomol leadership profoundly study and know its state and the situation in the collectives and on this basis carry out differentiated political and indoctrinational work with the various categories of servicemen. Great attention is given to activities to raising responsibility, to the personal example, exactingness and to improving the style and methods of work of the commanders of various levels in a spirit of the most recent party requirements.

Other similar examples could also be given. However, at the same time it must be pointed out that in certain places party political work for strengthening discipline does not correspond to the increased party demands. Often it is not aimed at the most important problems the solution to which would determine an improvement in discipline and a strengthening of the situation in the collectives. They have not fully overcome maximalism, formalism, impressiveness and excessive commotion in its organization and execution.

The efforts of the commanders, political workers, the party and Komsomol leadership must be aimed primarily at the ideological growth of the servicemen and at turning the mastered Marxist-Leninist knowledge into a conviction and standard of conduct. On this basis pressure is brought to completely master and precisely execute the requirements of military discipline, the regulations, orders and instructions. And the army communists must be in the front ranks of the struggle to carry out this task.

The solely-responsible commanders have a crucial role in the strengthening of discipline. For this reason, in the struggle for iron military discipline, an important place must be held by party political work to strengthen one-man leadership. Its main goal must be to achieve a change in the thinking and practical actions of the military cadres in strengthening discipline, raising their responsibility, personal example, preciseness, efficiency, professionalism and organization in work. Political influence must be strengthened on the duty and supervisory officers and sergeants for the complete and high-quality execution of their service duties.

High results in combat readiness, the training process and in the strengthening of discipline can be achieved only in those units where the military collective is closely united and where a good sociopsychological climate has been established. This means that systematic, concrete and purposeful party political work must be carried out to establish principled, proper and comradely relations between the various categories of servicemen and to prevent negative phenomena in the troop collectives. Great party concern must be shown for the more rapid and painless adaptation of the young soldiers to the conditions and service in the Bulgarian People's Army.

Of particular importance in the struggle against negative phenomena is preventive party political work. Much greater is the effect when on the basis of the continuous study and thorough understanding of the situation in the units, they promptly spot possible causes of disciplinary infractions and in using political forms and means work to eradicate them. In this area, much aid can be gained from constant, direct contact with the men, from the studying of their thoughts, attitudes and needs, differentiated individual political work and immediate measures to satisfy the legitimate needs of the men.

The carrying out of daily, high-quality and effective party political work for indoctrinating soldiers who are aware and dedicated to the party and the people helps to strengthen discipline as an important factor in improving the quality of military service and for properly greeting the 13th BCP Congress.

10272

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BULGARIA

TODOROV IN PRC, ECONOMIC COOPERATION DISCUSSED

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[Text] Peking, November 7 (BTA)--"China is willing to develop her economic and trade relations with the Soviet Union and the other socialist states," stated today Mr. Li Peng, vice chairman of the State Council of China during his talks with the delegation of the Bulgarian National Assembly, headed by Mr. Stanko Todorov, chairman of the National Assembly of Bulgaria and member of the Politburo of the CC of the BCP.

The meeting centered on matters related to the trade and economic cooperation between the two countries. Mr. Stanko Todorov briefed Mr. Li Peng on the socio-economic development of Bulgaria. Mr. Li Peng showed special interest in the production of trucks, plastics, fertilizers and the Bulgarian electronics industry. It was noted that the economic potential of Bulgaria and China allows for a growth of the two countries' mutual trade. They must increase the exchange of information and must get acquainted with each other's export potential. "Our two countries are socialist states with a planned economy," stated Mr. Li Peng, "and the trade between them must be put on a long-term basis." This long-term basis, Mr. Stanko Todorov noted, will be provided by the agreement for the 1986-1990 period which will be signed soon.

In their toast speeches at the official dinner given by Mr. Stanko Todorov, he and Mr. Chen Pixian, vice chairman of the Standing Committee of the National People's Congress of China, noted that the visit of the Bulgarian parliamentary representatives and next year's visit of a delegation of the Standing Committee of the National People's Congress of China to Bulgaria will help develop the contacts between the two parliaments.

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BULGARIA

MILITARY MEDICAL INSTITUTE CELEBRATES ANNIVERSARY

Sofia NARODNA ARMIYA in Bulgarian 26 Sep 85 pp 1, 3

[Article by Capt Evgeni Genov: "Merited Recognition of Totally Dedicated Labor"]

[Text] Established 25 years ago following the Soviet model, the Higher Military Medical Institute [VVMi] for a quarter of a century now has developed active and effective training, scientific and therapeutic activities for medical support of the BNA [Bulgarian People's Army]. A quarter of a century of dedication to the cause of man, a quarter of a century of unceasing concern for the health of the soldiers and commanders.

The VVMi arose and grew up during the years of our socialist development under the wise leadership of the BCP. It provides diagnostic and therapeutic activities not only for the servicemen but also for the citizens. With good reason the institute has won merited recognition as one of the most prestigious health institutions in Bulgaria as well as broad popularity among the public.

On the occasion of the glorious jubilee, the 25 years since the establishing of the VVMi, yesterday in the auditorium of the institute a ceremony was held. To share the joy of the military medics, the ceremony was attended by the Member of the Politburo of the BCP Central Committee and Minister of National Defense, Army Gen Dobri Dzhurov, the First Deputy Member of National Defense and Chief of the General Staff of the BNA, Col Gen Atanas Semerdzhiev, the First Deputy Minister of National Defense, Col Gen Khristo Dobrev, the Chief of the Main Political Directorate of the BNA, Col Gen Mitko Mitkov, as well as deputy ministers of national defense, generals and officers.

Here also was the representative of the commander-in-chief of the Joint Armed Forces of the Warsaw Pact states to the BNA, Col Gen Aleksandr Zvartsev.

Also present was the Minister of Public Health, Academician Radoy Popivanov, as well as many citizens, scientific workers and physicians.

Giving a report on the subject: "Twenty-five Years of the VVMi" was Prof, Maj Gen Nikolay Kупenov, honored scientist and chief of the VVMi. Maj Gen Kупenov presented the diplomas "Doctor honoris causa" of the VVMi and which honored

foreign military medics from the fraternal socialist armies who have made a substantial contribution and achievement to the institute's development.

After this numerous congratulations and flowers were presented on behalf of the Social and National Security Department of the BCP Central Committee, the Ministry of Public Health, by the State Committee for Science and Technical Progress, by the Military Medical Academy imeni S. M. Kirov in the USSR, on behalf of the Central Military Hospital in Hungary, by the Military Medical Academy in the GDR, the Military Medical Academy in Poland as well as from similar military medical institutes in Czechoslovakia, Cuba and elsewhere.

Lt Gen Tsan'o Bakalo read the Ukase of the Bulgarian State Council on awarding the Order of the People's Republic of Bulgaria, First Degree, to the VVMI. To loud applause from those present, in the auditorium the Minister of National Defense, Army Gen Dobri Dzhurov, fastened the order to the institute's colors.

The Deputy Minister of National Defense, Adm Ivan Dobrev, read a congratulatory address on behalf of the leadership of the Ministry of National Defense and the Main Political Directorate of the BNA. The meeting ended with a concert.

In the afternoon a jubilee scientific session was held which reviewed the important theoretical and practical questions which concern the medical support for the troops.

10272

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BULGARIA

COMPREHENSIVE EFFORTS, INCENTIVES SUPPORT LIVESTOCK FARMS

Energy Minister of Rural Power Problems

Sofia KOOPERATIVNO SELO in Bulgarian 19 Sep 85 pp 1, 2

[Interview with Nikola Todoriev, Minister of Energy, by Georgi Avramov; date and place of interview not given]

[Text] Winter is coming on and along with the snow it will bring many concerns for those who work and live in the countryside. For this reason even now the rural farmers are preparing the necessary fodder for feeding their animals and are seeking out additional water sources for the farms. One of the questions which in many places will be harder to solve is the providing of the required power supply. On this question we have received many requests from our leaders.

In order to answer the justifiable interest, our representative met and talked with the Minister of Energy Nikola Todoriev.

[Question] From your interview on television published the other day in the newspaper RABOTNICHESKO DELO, Comrade Todoriev, it became perfectly obvious that the reasons for the difficulties in power supply do not have a permanent but rather a temporary, situational nature.

[Answer] That is quite correct. The difficulties which we are presently experiencing in power supply in no instance could be explained by any lag in the development of our power industry. Since the April Plenum (1956), Comrade Todor Zhivkov has set the policy of a more rapid development for power and this we have followed for three decades. We are among the second ten nations in terms of per capita power consumption. At present, a Bulgarian consumes as an annual average more than 5,000 kilowatt hours or as much as a Frenchman, for example.

The problem comes, as is known, from the unprecedented drought. Since the end of August, our hydropower plants have almost stood idle. Scarcely one-third of their capacity can be employed. And that is for generating electric power just from the water flowing from the reservoirs for irrigation and water

supply. Otherwise we would have stored it to release it for the peak loads during the winter.

[Question] Has the precipitation which has fallen in the last 12 days helped slightly to increase the water in the reservoirs?

[Answer] This has more effected agriculture as the rains can at least minimally reduce the need for irrigation but they have not changed the state of the reservoirs. The reservoirs are filled by the melting of snow in the spring. Until then we cannot count on them.

In adding to this the significant expansion of our repair program for the thermal power plants, anyone will understand why difficulties in power supply are continuing. During this year we stopped more than 30 percent of the basic thermal capacity for a major overhaul. Their intensive utilization during the previous winter, without the opportunity of carrying out routine repairs and preventive maintenance fully on them, led to a worsening of their technical state, particularly the plants fired on local fuels. On the other hand the stopping how of such major capacity for repairs will allow us to meet the winter better prepared.

As you can see, at present we are forced to operate without any reserve. With such operation in a power system where production cannot be stockpiled and the moment of consumption coincides with the moment of production, any emergency situation worsens the conditions for normal power supply. This unfavorable situation will continue during the month of September because the full-scale repair campaign is being continued.

On the other hand during the current autumn and winter, the technical readiness of the major power capacity, chiefly the thermal plants and the nuclear plant, will be significantly increased. This makes us confident that in the coming months the power system will operate more dependably and more calmly. Unfortunately, during this winter during the peak hours in certain instances we will have difficulties in coordinating the power balance, precisely due to the already mentioned inability to employ the hydropower plants and at times also due to the emergency shut-downs of capacity at the plants fired on local fuel the poor quality of which is the reason for their more rapid wearing out.

[Question] Now let us pass, Comrade Todoriev, to the problems of power supply which must be solved this winter in the rural livestock farms.

[Answer] We, in the ministry, are well aware that these problems will not be easy ones. Some of them cannot be resolved all at once. But it is well known what must be done to prevent the eventual severe consequences.

What do we have planned?

The Ministry of Energy together with the NAPS [National Agroindustrial Union] and the power supply enterprises and okrug energy commissions in recent months have made a complete review of those lines which feed the livestock farms. Under the conditions of the okrugs, with the current difficult circumstances,

opportunities are always being sought whenever possible so that they are not affected.

Large livestock farms are, in essence, enterprises with a continuous production process. However, a very small portion of them have a direct power supply from the nearest substation. Ordinarily they are connected to the 20-kilovolt power lines which supply scores of settlements and other enterprises and with a necessity or failure it is technically impossible to avoid shutting them down. If such farms were built according to the requirements of the Law Governing the Power System as enterprises with a continuous production process, they would have their own independent line which would guarantee their power supply.

A solution to this primary problem requires more time. We must begin working on it without delay. And if we cannot guarantee their own power supply this winter, then without fail it must be done the next.

Another problem which is particularly acute now relates to providing reserve units for temporary use in emergency situations. The experiment of last year showed that in many places these exist but they are not in working order because they have not been maintained with the confidence which has arisen in the stability of the power supply in recent years. Even when the power system has surplus or sufficient capacity, an emergency shut-down is still possible. For this reason the reserve units must be constantly maintained and their readiness periodically checked. Only then can we significantly reduce the harm for an interruption in power supply.

[Question] What would you say about the use of new power sources in Bulgaria, including for certain types of agricultural production?

[Answer] The resorting to them is a very pertinent question for agriculture. They could be an auxiliary and in certain instances a more significant power source for it. Let us take the example of building installations operating on biogas from the waste products of the livestock farms and for which world experience shows great possibilities. The same is true of the use of solar energy, even in the simplest form. By solar collectors, for example, it is possible to provide hot water both in the summer and winter period when we have very sunny days. This will make it possible to cover at least 30-40 percent of the total requirements, in saving the power expenditures which would be made for this purpose.

I would like to take up the question of using agricultural wastes which are not used for processing, for fodder or for other needs but are most often burned off in the fields. According to our estimates, their use alone could provide us with an additional several hundred thousand tons of fuel units! We have in mind the lower parts of sunflower, tobacco stalks, grape stakes, corn waste and so forth. It is completely possible in one or two years to establish installations for their use at a number of places. This is done in many countries, even those rich in power sources. In this manner this thermal power would replace a significant portion of the eventual consumption of electric power or liquid fuel. In this area there are possibilities and developments. At the Plovdiv Fair, we exhibited small boilers which had been

specially worked out for this purpose but interest in them was not sufficient. They could heat individual schools, children's nurseries, administrative buildings including those of the APK [agroindustrial complex]. It is essential to draw up orders and conclude contracts for their delivery. For this reason I would urge the local farm leaders, the mayors and the entire population to utilize this possibility.

[Question] Comrade Todoriev, with the difficult situation which is facing us this winter, particularly in terms of the tending and protecting of the animals, how would you proceed if you were an APK chairman?

[Answer] If the APK had a large farm, I would certainly seek an opportunity for it to have an independent power source and would work hard to provide the necessary funds to build it. If I did not or could not have an independent power source for the livestock farm, then this winter I would certainly provide reserve units which with emergency outages could provide the most essential buildings of the farm with power so that the most important processes did not cease.

I would also make certain that these reserve sources were very carefully maintained so that they could immediately be switched on when necessary. Particular attention should be paid to maintaining the power installations. For this purpose I would take measures to train specialists for the APK in maintaining the internal power system, particularly during the winter period. In a few places I would have skilled power specialists and technicians who would take care of this. But there have also been frequent instances when the transformer substations are left all winter with open doors, with broken glass and the snow gets into them. With the thawing of the snow there are short circuits, the insulators break, the equipment burns out, even the transformers and the entire low-voltage network fails. Such a negligent and wasteful attitude to electrical equipment is intolerable.

If I were the chairman of an APK, I would make an equal effort to provide good winterizing for the farms, poultry buildings, pig raising and other farm buildings. What do I have in mind when I speak about winterizing now?

First of all, this means glazing the windows of the farms and their insulating in order to reduce the need for energy to heat. All the electrical equipment related to operating the farms should be in proper working order.

I would also seek out additional energy sources which eventually could be used.

[Question] Comrade Todoriev, what in your mind is presently the main demand on all the working people and all the population of our nation, including in the countryside?

[Answer] To utilize electric power most thriftily and evermore efficiently. We have begun on a mass basis to heat with electricity. For household consumption we utilize already one-fifth of all electric power production. Our nation is poor in power resources and a significant portion of them is imported. Obviously, the use of electric power for heating which means a

significant decline in the efficiency of the energy resources must be restricted. This undoubtedly will be aided by the adjustment in the price of electric power in the last decree of the Council of Ministers on compensating for losses from natural disasters.

The rural workers can also contribute a great deal to this. Unfortunately, even in the mountain villages where there is sufficient wood for heating and the people are accustomed to using solid fuel, the use of electric power for heating is growing very rapidly. There are many public buildings in small villages which use uneconomic equipment, for example, heaters. Obviously we must seek out greater opportunities in the entire conurbation system to convert to a maximum degree to heating with solid fuel. We must also be concerned for winterizing houses because good insulating in them means lower energy consumption. We have been speaking basically about consumption for heating, but other electrical appliances must also be used more thriftily. Otherwise the electric transmission lines will be overloaded, voltage will drop and this can worsen the quality image of television sets and create additional difficulties.

[Question] In life we always learn from difficulties. What is the lesson for us here?

[Answer] Last winter was unusually cold. We do not know what the next one will be like. However, we must not feel that after concluding the repairs on the power plants Bulgaria will be swimming in power. It does not have enough of its own energy sources for such abundance. The questions of the rational and efficient use of resources, of the saving of energy, of economizing on other energy sources, of good winterizing, of introducing a certain autonomy in power supply and so forth will be for us a constant task and not a brief campaign. Even if we had more and better quality energy sources, it must not be forgotten that they are not only for today and tomorrow or for just a generation. For this reason they must be conserved and rationally consumed.

Incentives for Private Animal Husbandry

Sofia KOOPERATIVNO SELO in Bulgarian 19 Sep 85 pp 1, 2

[Unattributed commentary: "Concern for Livestock Raising on Private Farms"]

[Text] The private farm plays an important role in agricultural production and in the national economy. As an auxiliary farm for the cooperative members, workers, white collar personnel and pensioners, it is a source of additional income and personal consumer goods. At the same time, a significant portion of the products from the private farms is of a market nature and participates in the national balances for foodstuffs. For this reason the BCP and the government have always given and do give great attention to the further strengthening and development of the private farm as a natural continuation of the socialist production process in agriculture.

A new expression of this concern is the decision adopted by the Bureau of the Council of Ministers concerning additional measures to stabilize livestock raising on the private and auxiliary farms. This document aims at increasing the contribution of the private farm to compensating for the losses from the unprecedented drought in our nation and other natural calamities this year, in maintaining and increasing the number of animals on the private and auxiliary farms in the aim of producing more livestock products in order to more fully satisfy the needs of the public. The decision contains additional measures in order to provide by the end of the first quarter of 1986 at least 2 million hogs and to maintain the number of cows and sheep at their level at the start of the second half of this year. For this reason the central place is held by measures to guarantee the necessary objective conditions for maintaining and increasing the number of animals.

Chief attention has been given to the task of providing the required coarse, succulent and concentrated fodder for year-round feeding of the animals. The OAPS [okrug agroindustrial union] and the APK by the end of 1985 must settle up the entire amount of concentrated fodder for the purchased livestock products from the private farms. Of great importance is the decision as an exception for 1985 to provide from the APK 1 decare of corn for silage and 2 decares of corn stalks for each cow and every 10 ewes on the private farm, in also providing aid in feeding the animals on auxiliary farms. The Ministry of Forests and Forest Industry has been ordered to maximally broaden the area which is used for the pasturing of the animals of the public and on the auxiliary farms.

The solution to the feed problem under the difficult conditions of this year is an exceptionally important conditions for maintaining the number of head of surviving animals and for increasing the number of pigs on the private and auxiliary farms. Along with this, of great importance is the decision to provide sufficient young piglets for fattening and mother sows for the private farm. For this purpose prior to 15 December 1985, it is planned that the socialized farms will breed an additional 100,000 piglets as breeding sows. At the same time the obshtina people's councils will be given greater supervisory functions in the culling and slaughtering of breeding animals in the private system in the aim of maintaining the number of cows and sheep and not eliminate young animals suitable for breeding.

There are significant economic incentives to encourage the private farms to raise and deliver pigs to the purchasing organizations. It has been decided that the farmers which deliver to the Rodopa DSO [State Economic Trust] fattened pigs with a live weight over 110 kg will receive from the state budget a monetary bonus of 30 leva per animal, and for pigs sold fattened from their own fodder, in addition to the higher purchase price, a bonus of 40 leva. New tax benefits are to be provided for selling livestock products to the state. Along with the freeing from the general income tax which has been done for agricultural products turned over to the purchasing organizations by farmers employed in socialized production, the new decision will also free from taxation other citizens who raise breed sows for up to 30 ewes and up to 3 cows. In the future, the products sold on the free market will be taxed under the general income tax.

The Central Cooperative Union has been given a responsible task in increasing the number of pigs. The okrug cooperative unions and the consumer unions have been recommended to reorganize and construct facilities for raising at least 15,000 breed sows in the aim of obtaining prior to 30 March 1986 some 100,000 small piglets for private farms and up to the end of 1986, constructing facilities for 45,000 breed sows to produce 750,000 piglets for the public. For this purpose the Central Consumer Union and its divisions will be provided with the necessary breeding animals, a bank credit and other conditions.

As can be seen, the additional measures of the Council of Ministers to stabilize livestock raising on the private and auxiliary farms have an important economic and social significance. Their fulfillment poses responsible tasks for the people's councils, the agricultural organizations, the consumer unions and the organizations of the Bulgarian Agrarian Union and the Fatherland Front. At present, every conurbation system and every population point must immediately outline and implement specific measures to further stabilize livestock raising on the private farm and on all the auxiliary farms of the nation.

Livestock Raising Benefits Described

Sofia OTECHESTVEN FRONT in Bulgarian 19 Sep 85 p 1

[Article by Vladimir Ivanov under the rubric "Commentary": "An Incentive for the Development of Livestock Raising"]

[Text] The decision of the Bureau of the Council of Ministers which has been published in the mass information media is aimed at the taking of additional measures to stabilize livestock raising on the private and auxiliary farms. This will lead to the production of more animal products and to the fuller satisfying of worker demand. The decision was taken pursuant of the Decree No 53 of the Council of Ministers of 14 September on compensating for the losses from natural disasters in agriculture and other sectors.

The system of self-sufficiency of the population in the conurbation systems for food products has long proven its viability. The benefit of this does not require any commentary. But it is no secret that it suffers from a number of weaknesses, the most important of which, possibly, is the absence of stability. There are particularly great fluctuations in the sine curve of the private and auxiliary farming system and to a significant degree these are influenced by certain subjective weaknesses in the entire organization of the self-sufficiency system.

Even at the start of the year there were alerts that many private farmers refused to raise animals due to the absence of fodder. Sufficient breeding animals and animals for fattening were not supplied. The difficult year also had its psychological effect on many farmers in spite of the measures to surmount the designated difficulties.

However, it must be stressed that many places in the nation still have not achieved the necessary turning point in providing sufficient food for

livestock raising. Certain nontraditional fodder sources have been neglected and these are not only good substitutes but also a prerequisite for increasing agricultural products from livestock raising. Nor have the necessary organizational measures been taken to help the private and auxiliary farms and agitation has often been insufficient. The efforts of the Fatherland Front members have not always been backed up by the people's councils and the agroindustrial complexes.

The decision is aimed at eliminating precisely these weaknesses and pooling the efforts of all the state and social bodies on the spot to stabilize the number of animals on the private and auxiliary farms and provide more meat, milk and wool. The results are still in the future and they must be tangibly felt next year. But preparations must start immediately. Significant tasks confront certain central bodies such as the National Agroindustrial Union, the Ministry of Forests and Forest Industry and the Central Cooperative Union.

Some of the positive aspects in the decision is the demand of providing 1 decare of silage corn and up to 2 decare of corn stalks for every cow and for every 10 breeding ewes and the obligation of the OAPS and APK prior to 31 December 1985 to pay for the entire quantity of concentrated fodder in return for purchased livestock products. The Ministry of Forests and Forest Industry must broaden as much as possible the pasture areas which will be used by the animals from the private and auxiliary farms. All these measures will inevitably create confidence in the people and a certainty that they can raise more animals without excessive difficulties.

The decision also provides other incentives such as release from general income taxes in certain instances in delivering livestock products and in raising breeding animals; there are also provisions to provide the necessary number of shepherds and herdsmen (the appropriate incentives are also provided for them) and so forth.

A special role in carrying out this decision has fallen on the Fatherland Front committees and organizations on the spot. First of all it is essential to publicize and correctly explain this to as large an audience as possible. A major effort must also be made by the cooperative functions of the Fatherland Front and its constant preventive control work. In order to observe each point of the new decision, to avoid all sorts of abuses and not cause the farmers to lose heart in raising more animals on their private farm.

10272

CSO: 2200/12

BULGARIA

BRIEFS

PRC-BULGARIA COOPERATION PROTOCOL--The first session of the joint Bulgarian-Chinese Commission for Economic, Trade, and Scientific-Technological Cooperation ended in Beijing with the signing of a protocol which envisages an expansion of cooperation in 1986. The protocol was signed by Khristo Khristov, minister of foreign trade of Bulgaria, and Yang Bo, Chinese chairman of the commission and minister of light industry. [Text] [Sofia Domestic Service in Bulgarian 1830 GMT 15 Nov 85 AU] /6662

CSO: 4020/94

GERMAN DEMOCRATIC REPUBLIC

GRAIN YIELD INCREASED THROUGH EFFECTIVE SPRINKLER IRRIGATION

East Berlin FELDWIRTSCHAFT in German Vol 26 No 6, Jun 85 pp 243-246

[Article by Dr H.-G. Stock, assistant professor, Plant Production Section, Martin Luther University, Halle-Wittenberg; W. Brucks, agricultural engineer, and M. Taubert, agricultural engineer, "Grossner Teich" Soil Improvement Association, Torgau: "Experience and Results of Grain Irrigation"]

[Text] The social requirements to constantly increase plant production output in order to ensure the planned stable supply of essential foods and agricultural raw materials from resources of our own require that priority be given to mobilizing all reserves to intensify grain production. The irrigation factor must be consistently utilized with respect to grain which is being grown to an increasing extent with the help of the long-term irrigation program on soils which can be irrigated. The optimum combination of the grain crop with hoed crops and fodder on the soil which can be irrigated, and efficient grain irrigation serve to guarantee a favorable combination factor and thus serve to better utilize the irrigation equipment, increasing the economic and operational efficiency of the irrigation operation.

Effectiveness of Grain Irrigation

By means of the increase of the percentage of grain acreage on irrigated soil, grain irrigation plays an increasing role for the results of irrigation on the entire acreage. The profitability of the overall plant is increased when the surplus grain proceeds exceed the variable costs and the costs attributable to the excess yield. If one calculates the variable costs of M 200/hectare of irrigated acreage using 60 mm of additional water, as well as costs of M 60/hectare of irrigated acreage attributable to the excess yield, and if one assumes proceeds of only DM 58 per dt (1 deciton = 100 kg) of grain, the break-even point is at 4.5 dt/hectare excess yield. This yield is attainable in all locations over an average of years, with the exception of the best black soils. This is corroborated by results from field tests as well as results from large-scale tests on GDR farms (Table 1).

In 1984, the first year after introduction of the new agricultural prices, the variable costs of the Torgau Soil Improvement Association amounted to M 77/hectare of irrigation and the costs attributable to excess yield to M 11/dt of grain. With additional water requirements, which were low this year, of 30 mm

Table 1. Results of Irrigation of Winter Wheat and Spring Barley on Practice Cuts 1967 to 1982 (acc. to Teichardt, Roth, and Zenner, 1984)

Item	Additional water mm	Grain yield nonirrigated dt/hectare	Surplus grain yield	
			dt/hectare	kg/mm
Winter wheat				
D2-D4	58	35.7	+8.0	14
Lol/2, V1	42	48.9	+5.0	12
\bar{X}	52	43.4	+6.1	12
Spring barley				
D2-D4	61	30.3	+7.0	11
Lol/2, V1	33	43.9	+3.6	11
\bar{X}	53	34.5	+6.3	12

(cycle number 1.3), an increase in yield of 2 dt/hectare would have sufficed to cover these costs. The attained surplus yield due to irrigation of 5.9 dt/hectare resulted in a profit from grain irrigation even if one takes into account two-thirds of the constant costs, i.e., M 139/hectare of acreage of irrigation (one-third of the constant costs is attributed to the stubble crops successfully irrigated following the grain).

The economic results underline the demand that the entire grain planted on the tillable acreage be consistently included in irrigation.

Grain Irrigation Control

The recommendations by the EDP irrigation consultants provide objective decision aids for current irrigation control. Practical irrigation operations have confirmed that grain requires adequate water supply in the vegetative as well as in the generative development phases.

While it is important to start irrigating the grain in due time in order not to risk a decrease in soil moisture due to a lack of irrigation capacity when drought sets in, which would affect the yield, it is just as important in the interest of efficient water consumption not to irrigate prematurely, but to make all efforts to permit irrigation into the grain formation phase. In field tests at the D₃ Seehausen location, district of Leipzig, irrigation had to be started in one-third of the years at the beginning of sprouting, during sprouting and following the ear formation in order to obtain optimum surplus yield, but always had to be continued to the period between milk and yellow ripeness.

In the Torgau Soil Improvement Association it is generally possible by using rollable irrigation conduits having 1.9 m wheels to irrigate grain into the grain-filling phase. At times difficulties occur due to limitations of capacities, when it is necessary to irrigate both grain and hoed crops.

If grain irrigation has to be concluded prematurely for this reason, it is recommended:

1. not to irrigate the grain excessively during the vegetative phase in order not to promote crop density excessively, because with subsequent dryness this can result in a drastic decrease in thousand grain mass, and
2. to irrigate the grain in reserve prior to the relocation of the irrigation equipment to the hoed crops insofar as the plants and soil will permit.

Agricultural Engineering With Irrigation

Winter wheat and spring barley are the grains most appreciative of irrigation. Experience in the D₂ and D₃ location of the Torgau Soil Improvement Association shows that winter rye can yield the same surplus crop when irrigated if it is technologically feasible to irrigate it through the grain-filling phase.

Of all the grain types those which have the highest and most reliable yield will also have the highest yield when irrigated. Special attention is to be paid to a high degree of stability.

Fears that the normative seed quantities could be reduced by irrigation due to the promotion of density by additional water have not been confirmed. In field tests in Seehausen from 1978 to 1983, winter wheat and spring barley reacted in the same manner, whether with or without irrigation, to the seed quantity staggering of 200 to 500 grains per square meter (Figure 1; Stock, 1984).

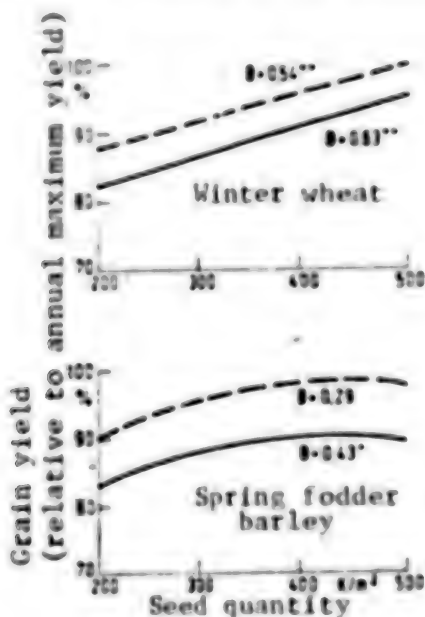


Figure 1. Relationship of Grain Yield and Seed Quantity of Winter Wheat (upper graph) and Spring Barley (lower graph) Without (____) and With (-----) Irrigation. Field tests at the D₃ location Seehausen, district of Leipzig (1979, 1980, 1982, and 1983 average).

Results from Seehausen confirm the observations of numerous experimentalists that with the use of nitrogenous fertilizers the optimum yields generally differ very little in unirrigated or irrigated grain fields (Figure 2).

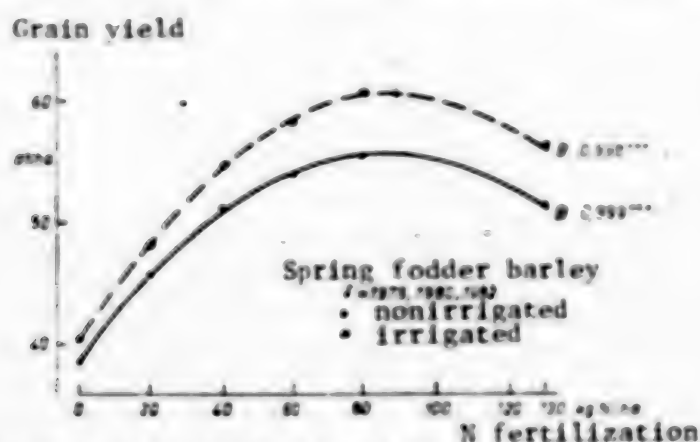


Figure 2. Relationship of Grain Yield and Nitrogenous Fertilization of Nonirrigated and Irrigated Spring Fodder Barley. Field tests, D₅ location Seehausen, district of Leipzig (1979, 1980, and 1982 average).

As shown in DS79, only few N additives are necessary on sandy soil, and none at all on loamy soil.

It is preferable to treat irrigated grain crops with growth regulators. On the one hand, this will ensure the stability under increased strain due to irrigation, and on the other hand, a reduction of the growth height is frequently the prerequisite for using irrigation in the grain-filling phase.

There is no evidence of increased disease in irrigated grain. Conscientious crop control and timely fungicide treatment upon reaching the disease threshold values is required anyway when crops with high yield expectations are involved.

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GERMAN DEMOCRATIC REPUBLIC

LOW-COST FEED STRAW PROMOTES EFFICIENT USE OF FODDER RESERVES

East Berlin FELDWIRTSCHAFT in German Vol 26 No 6, Jun 85 pp 256-257

[Article by U. Mueller, agricultural engineer, "Ernst Thaelmann" Plant Production Agricultural Producer Cooperative (APC), Dobitschen; Dr D. Muehlbach, "Wilhelm Pieck" Plant Production APC, Seyda; Dr M. Menge, Institute for Grain Research of the Academy of Agricultural Sciences in the GDR, Bernburg-Hadmersleben: "Good Feed Straw by Means of Efficient Use of Capital Goods"]

[Text] The demand for feed straw in our republic of 2.5 to 3 million tons of straw per year accounts for an estimated 30 to 45 percent of the total straw quantity produced, which are subject to high quality standards. In all production stages from harvest and storage to transportation to the locations of consumption, the maintenance of its value in use is of utmost importance. This, in turn, presupposes a close cooperation between straw producers and straw consumers.

Taking the Seyda and Dobitschen production cooperation groups as examples, we wish to report on experience as to how good feed straw can be harvested and supplied by a cooperative effort of the Plant Production APC and the animal production APC with resourceful use of capital goods.

Cooperation Group Seyda, District of Jessen

In 1984, the "Wilhelm Pieck" Plant Production APC, utilizing an agricultural acreage of 8,816 hectares with 7,409 hectares of tillable land, generated a gross production output of 52.9 grain units per hectare. The cooperating "Karl Marx" Seyda Animal Production APC has a livestock of 7,594 live weight units (fGV) and 5,137 RGV (1 RGV = 500 kg of live weight of domestic animals feeding on coarse fodder). The animal product generated last year amounted to 2.66 MEF/fGV. Animal production is structured in several branches, with dairy production (cattle stock breeding), cattle fattening, hog raising and fattening. In the Plant Production APC 50.7 percent of the tillable land is used to grow grain crops. The net straw yield over the years averages 33 dt/ha. In preparation of the straw harvest the campaign plan and the straw balance are prepared. The balancing of straw is done annually by the fodder production commission of the cooperation council.

Seyda Cooperation Group Straw Balance

Grain crop land	3,800 ha
Straw yield	33 dt/ha
Total yield	12,500 t
of that: Feed straw (chopped straw for pellets)	2,100 t
Feed straw (long straw)	1,200 t
Bedding straw	8,140 t
Stack straw	300 t
Individual operation	750 t
State share	50 t

This general straw demand is listed according to each stable in relationship to the livestock.

The campaign plan for the straw harvest is also agreed on with the cooperation group partners. The daily straw harvest in the cooperation group was figured in accordance with the capacity to be a total of 255 ha/day with a combine output of 265 ha/day. The harvest is carried out with five complexes; thus, the territorial conditions can be best complied with. Three complexes with three K453/K454 each harvest fodder and bedding straw which is stored in storage bins. The retrofitting of a total of 10 presses to single binding can be considered a major accomplishment in efficiency. Thus, approximately 45 percent of the binding yarn needed thus far could be saved. One press retained the dual binding for pressing straw to cover large stacks. The fourth complex is utilized to harvest loose straw with K453. In storing the straw the straw slide with the K700 as an efficient solution has proven successful. Some 1,200 tons of chopped straw for pellets are harvested with the help of the fifth complex consisting of four field choppers E280. With the help of the DL650 front loader, 770 tons of pellet straw are stored in storage bins. The remaining portion is stored in 10-m high piles by means of the straw slides on the K700. The blowing takes place with AfG1000. Generally, the straw stored outdoors is used up first, usually by winter, and then the stored straw is used.

A total of 40 transportation units are available to transport the straw:

THK 5/2 with SA29	28 units
THK5 with extra-width mounting (Meissen system)	18 units
HTS50 (Samtens)	3 units
HW60 with light-goods mounting (innovation suggestion of Seyda Plant Production APC) having a capacity of 19 cubic meters; retrofitting possible within 30 min	14 units
HW80 with light-goods mounting (also innovation recommendation)	4 units
HW80 with EAS and perpendicular setup, overblow protection	10 units

As a reserve, four THK5/SA29 and six HW80/HA8 are available. Following the conclusion of the 1984 straw harvest, a concept for the 1985 straw storage was prepared by the "Efficiency and Reconstruction Commission" of the cooperation

group council. In the course, the weaknesses of the storage campaign were analyzed and necessary technological-organizational consequences derived.

<u>Structure</u>	<u>Example</u>
Animal production plant	Ruhlsdorf MVA
Storage location	Storage barn
Storage technology	MSG900
Necessary repairs	Line two passages with bars
Responsible	Animal Production APC
Material requirements	Rough bars, 10 bolts
Completion date	7 January 1985

Overall, these overviews of straw storage locations were prepared in 16 animal production facilities. The implementation of the planned changes and repairs, respectively, is regularly accounted for in the cooperation council. An efficiency and reconstruction commission reports on this.

Dobitschen Cooperation Groups

The "Ernest Thaelmann" cooperation group, Dobitschen, produces 41,050 tons of grain units annually from an overall agricultural acreage of 5,277 hectares, of which 4,557 hectares are tillable soil. Of those, 56.7 percent are market products.

In five facilities an animal stock of 8,032 fGV and 6,187 RGV is maintained, respectively, consisting of 8,445 heads of cattle, 604 sheep and 12,355 hogs. The animal production utilizes a total of 74 stables.

In the Plant Production APC 56 percent of the tillable soil is used to grow grain. The net straw yield is 34.8 dt/hectare annually. The campaign plan and straw balance are prepared annually and agreed on by all partners.

Straw balance of the Dobitschen cooperation group

Straw yield	34.8 dt/hectare
New straw yield	8,875 t
Straw use:	
Bailed straw stored under roof	4,200 t
Bailed straw stored in piles	1,800 t
Chopped straw for pellets	1,875 t
Chopped straw for silage	1,000 t
Chopped straw for humus	--

No straw is available under the plan for direct use in organic fertilizers.

The demand of 8,868 t ROS evidenced by the crop rotation is covered by 10,497 t (118 percent), of those 7,400 ROS t as stable manure.

The campaign planning and the socialist competition is oriented towards a supply of stables that is in line with the demand (a minimum of 9.8 dt per RGV).

The campaign sequence of the straw harvest of the 30 grain crop fields approximately to be harvested annually is planned according to the following criteria:

- Intensive straw harvest (23 days of operation) following the two combine complexes to secure the immediate reseeding and humus economy work;
- Shortest transport routes for bailed straw storage;
- Generation of chopped straw piles in the immediate vicinity of the silage container for the joint silage of turnip leaves with straw;
- Shortest transport routes to the pellet facility;
- Utilization of all opportunities to store under the roofs;
- Minimization of losses in chopped straw storage outdoors through brief existence of piles.

The straw harvest is organized in three brigades in a one-tier manner according to the APC structure.

--Bailed straw harvest 1	750 ha
--Bailed straw harvest 2	798 ha
--Chopped straw harvest	1,000 ha

The brigades of the pressing line operate with three K453/454 high-pressure presses each. All presses have been retrofitted to single binding; thus the costs for binding material were reduced to M40.40/hectare. For transport of the bails eight tractors ZT300 and MTS50 are used with THK5 and HW60 with LSHA, respectively. Transport with two trailers is not possible in most cases due to the stable facilities. Storage in barns, under roofs or in piles is done with G3 blowers, conveyor belts, and rear slides in combination with the ZT300, to a lesser extent. Twenty-five manual laborers are used per brigade to store the straw. In addition to exhausting all work reserves of the Plant Production APC (fruit growers, building brigade, administration), hands from animal production, students in accordance with the legal requirements, and local seasonal workers are used to secure the high demand.

Part of the bails (10 to 15 percent) are stored temporarily on the edges of the fields. This inventory serves as a technological buffer and is stored in the stables in the course of the grain harvest.

For the chopped straw harvest three E280 field choppers, five ZT300 tractors with two HW80 trailers each with SHA16 and a ZT300 with slide are used.

All of the chopped straw is piled outdoors in piles close to the field. Here it has proven successful if the piles are ultimately blown over with an E280 with extended spout.

In order to maintain the quality of the chopped straw, the pellet facility uses liquid ammonia.

The joint silage with turnip leaves and the shift work in the pellet facility from day one of the straw harvest serve the realistic goal to process the major portion of the piled chopped straw prior to the onset of winter.

The straw pellets are stored in ventilated storage bins until the new harvest.

In the Dobitschen cooperation group, the feed straw is used to generate 9.2 percent of the Energetic Fodder Units and of the industrial fodder supply.

Conclusions

The following conclusions for an effective straw economy may be drawn from the experience with both cooperation groups:

1. The straw balance and the campaign plan to be prepared annually by all cooperation group partners jointly is the prerequisite for efficient straw use.
2. In the cooperation groups all measures of efficiency are to be exhausted in accordance with the local conditions (e g., single binding, straw slide on the K700, optimum transport) in order to carry out the straw harvest and storage in a highly efficient manner to secure high-quality feed straw.
3. Existing storage bins and barns are to be utilized for storing feed straw, unless they are designed for hay storage, because quality can be maintained in this manner.
4. By deepening the cooperative relationships the existing work potential can be better utilized and work peaks reduced.

9544/9365

CSO: 2300/542

HUNGARY

AIM OF EARNINGS 'CEILING' TAX CLARIFIED

Budapest FIGYELO in Hungarian 14 Nov 85 p 1

[Text] We have reported that under the terms of the modified earnings regulations which are to become effective as of 1 January 1986, the continuing rate of growth of exceptionally high earnings is to be substantially curtailed. In cases where average earnings increase by more than 10 percent, employers will be obliged to pay a tax of 500 percent regardless of their specific type of earnings regulation. This entirely new and unusual form of regulation is being called a "ceiling regulation" by enterprises. They identify it as part of central wage regulation because it is certain that next year there will be no repetition of this year's 13-15 percent earnings increases which were by no means uncommon in some places. But hereafter, what employer would elect to burden earnings growth in excess of 10 percent with such a steep tax even if growth was meant to support wage differentiation or to serve as an incentive?

In bewilderment, many question the purpose of the ceiling tax. Why are attempts at wage differentiation being thwarted in this way? Why is the emerging practice being made impossible? And why are the most successful, most efficient enterprises which can pay above average wages to deserving workers because of enterprise efficiency being struck again--enterprises which could take wage differentiation commensurate with performance seriously because they had the material resources to do so? But enough of these questions! The fact is that experience to date reveals that it is by no means a matter of consistent differentiation adjusted entirely to actual performance at the workplace. Nor were the above-mentioned outstandingly productive and high income producing enterprises the only ones who resorted to double digit earnings growth. Actually, unprecedented social pressure is being exerted on enterprise leaders and their political and social organizations in connection with increases in incomes and wages. And although an unmistakable warning was issued well in advance that the unified interest fund was not meant to be used in its entirety to boost wages and earnings alike, yet this has become a conspicuously, even widespread, practice.

To put it another way, the unified interest fund makes possible a simpler type of accounting and provides another form for the exercise of enterprise independence. Many enterprises have abused this possibility: They have used all their mobilizable funds to raise wages. Typically, they have no longer

thought about the future; they have already renounced the goal of saving for otherwise essential development. They are promptly bowing to social pressure. (Incidentally, can they do anything else, especially nowadays when the labor market continues to be dominated by the wages being offered?)

These very same enterprises complain about lack of possibility for development. Since this is no new phenomenon, the regulators have no recourse but to try to force the enterprises to handle the unified interest fund more circumspectly. They are trying to make it clear that this fund which can be used to increase earnings also is not to be used solely for this purpose. There are indications that, for the time being, the only way to achieve this is through introduction of the "ceiling" regulation.

And what happens to the possibility for earnings differentiation? It has been confined within strict but not narrow limits: the 10-percent earnings increase without the 500-percent tax is exactly double the average earnings increase planned for next year. And anyone who deserves much more than this--because of his performance--the pay of such a person is a function of the internal interest system of the enterprise.

/9365

CSO: 2500/93

HUNGARY

ENTERPRISE FREEDOM WITHOUT MONEY QUESTIONED

Enterprises Strapped for Cash

Budapest MAGYAR IFJUSAG in Hungarian No 38, 20 Sep 85 pp 3, 12

[Article by Lajos Gubcsi: "Can Freedom Be Granted, or Is There Freedom Without Money?"]

[Text] We are starting a new series on whether the Hungarian enterprise is truly independent. Editors

As of 1 January 1985, partially new rules of the game apply to the Hungarian economy. After several years of preparation, new efforts are being made to revive and strengthen the spirit of the economic reform. Our wage policy and system of taxing the enterprises have to change; our price policy is undergoing modification; and our exchange-rate system is becoming more active. But most importantly, after so many delays, the system of institutions within whose framework the economy must function will also become more modern. The instinct and compulsion to increase the enterprises' assets are shifting to the forefront of attention in the operation of the enterprises, and the style of enterprise management also is being streamlined in the sense that one-man management is being placed under collective control.

Both necessity and conscious recognition bred the economic regulators that are being introduced in 1985, 1986 and 1987. It has been admitted and recognized already in the late 1970's--then only tacitly, but now unabiguously--that the many years of delay and uncertainty in Hungary's macroeconomic management have caused serious harm. Guiding the nearly derailed train back on its track is causing considerable anguish. Thus in 1979-1982, the harshest period of "manual control," it was not possible to place on the agenda the modernization of macroeconomic management. Dollars and cents were the dominant. Amidst the problems, in low flight, economic thinking was unable to soar high, into the realm of experiments reflecting the spirit of the economic reform. This became possible only after the disappearance, elimination, of the 1982 symptoms of bankruptcy.

Strapped for Cash

The enterprises' reserves have become exhausted by 1985. Many people will perhaps greet this statement with skepticism. For in every period during

the past 20 years, one of the principal characteristics of the Hungarian enterprises has been their desperate complaining to macroeconomic management that their reserves have been exhausted and they are suffocating under the strict system of payments to the state budget.

Now when the enterprises are again complaining of suffocation, but macroeconomic management has again increased their tax burden, are they not in the same situation as the boy in the fable who cried wolf once too often? Does this latest cry signal real danger, and ought the villagers not go to the boy's aid, instead of speculating that he wants to trick them yet again?

Experts claim that it is impossible to gain a clear picture of the enterprises' reserves. Accounting and statistical-reporting tricks have created such a maze in the enterprises' operations that it is easy to conceal in it material and financial resources that otherwise could easily be mobilized. But the enterprises have always concealed such resources and are concealing them even today, fearing that next year or the one after next may be even more difficult, and then there will be real need for the reserves.

All this is true so far as the past is concerned. For the present, however, the enterprises' chain of cunning seems to have broken. Their financial resources are truly exhausted. In recent years the enterprises had to assume such heavy interest burdens, their debt-servicing obligations are so astonishing for the many billions they borrowed during the years of prosperity, and the cash-starved treasury has repeatedly drained the enterprises of so much cash that by now the till at most enterprises is empty.

The enterprise managers, mainly economic directors, interviewed for our series will complain almost without exception that they cannot avail themselves of their freedom, of the truly appealing advantages of independence, because they are poor. They are unable to take advantage of the greater freedom to raise wages that the new system of pay regulation provides, because they either do not have the money for higher wages, or if they do then the taxes on raises are almost unbearable. And so far as investments are concerned, they will invest tomorrow or the day after. Perhaps. /

Overall Interests

Before we start shedding tears for the sad situation of the enterprises, let us establish three facts. First, more than a third of our enterprises are able to prosper even in this situation and are holding their own even by international standards. Secondly, there is no mercy in the extremely fierce international competition, or few are shown mercy if there is. For the enterprises whose performance is way below standard, therefore, it is useless to keep going to the Wailing Wall, because eventually their inevitable end will be the same: instead of the political and financial support they are still able to obtain today, but which is entirely unwarranted, instead of the life-belts thrown them out of pity, they eventually will have to face bankruptcy that reflects reality.

Thirdly and most importantly, even by the mid-1980's the overall state of the Hungarian economy is not such as to permit a relaxation of the restrictions.

The foreign market's situation is more disadvantageous and worse than ever before, because--in addition to the very strong competition we are experiencing in Western markets--our positions have worsened on several issues of CEMA cooperation: we are experiencing further losses due to our terms of trade, and decisions adopted by our partners have limited our opportunity to sell for dollars to one or another CEMA country a part of our strategic products.

It has long ceased to be the fashion to blame foreign countries when investigating the Hungarian economy's opportunities. We suddenly realized in the early 1980's, first with astonishment and then with growing objectivity, that the main source of our troubles must be sought here at home. Specifically in the low efficiency of our labor, the rigid and obsolete structure of industry, the slow pace of innovation, the pains of shedding our earlier indebtedness, and the contradiction-laden forced trajectory of macroeconomic management struggling for survival.

And when the country's economic and political leadership was finally preparing for a turning point, when in the course of drafting the 1985 national economic plan we finally offered hope that a period of faster growth would follow, we again stumbled. On the one hand, an incredibly severe winter, additional fuel purchased for several hundred million dollars, halting industrial production, even forced large production dropouts, and shortfalls in the fulfillment of our export plans. And on the other hand, the population's expectations to earn more, regarded as natural and fulfilled continuously during the year. Furthermore, industry and agriculture have taken advantage of the promised wider opportunities and have launched with new vigor into increased imports from the West, attempting to make up in this way for several years of import curbs and to fulfill the primary task that has been formulated also politically and calls for urgent technical development and revival.

Problems that can be termed serious have surfaced by midyear. Our economy has failed to switch to the track of growth. The volume of our dollar-denominated export has remained low. On the other hand, however, national income's domestic use has increased, raising for economic experts the scepter of the late 1970's when such situations culminated. The impressive target that has been set also for this year, and to which we have become more or less accustomed in recent years, is in jeopardy: a surplus of a few hundred million dollars in our balance of payments.

The Hungarian economy and macroeconomic management have survived periods far more difficult than the present one. The hopeless conditions of 1978-1979 or 1982 were followed by firm management, not only in the upper reaches of economic policy but at most enterprises as well.

Enterprise Versus Macroeconomic Management?

In this situation that has changed for the worse, the key question obviously is, How are macroeconomic management and the enterprise system able to cooperate? Of course, this "how" has always been a key question from time immemorial. But it is truly one now, since the introduction of the system for macroeconomic management's modernization. Because the most important aspect of this novel system, all elements of which are painstakingly coordinated, is

that it must create a system of Hungarian enterprises that are truly independent, completely free within their economic incentive, capable of taking risks and forced to do so.

And all this must be achieved in a way such that the market's rules of the game will strengthen, rather than weaken, macroeconomic management.

What has been accomplished in this area?

By mid-1985 it has become more or less obvious that many enterprises are skeptical about the foreseeable effects of the regulators introduced as of 1 January. We might say that the enterprises have received the regulators themselves with conspicuous reserve, and in some instances even with dislike. But this would be an exaggeration, because our enterprise managers are cautious: they sense that they must not be so quick to oppose principal trends that, moreover, are in the spirit of the economic reform.

Some confusion has arisen at both levels of our economic life. As we shall see also from the statements of the enterprise managers who will be interviewed later on in our series, the view from below is that macroeconomic management's modernization, the new wave of reform, is not broad enough; that for the time being it requires more sacrifices of us than what it offers us in terms of money--the reality that is the most scarce for us at present.

On the other hand, the view from above--together with other problems that have accumulated by midyear--appears to confirm the vision that the enterprises, by intentionally holding back their performance, are attempting to persuade the government agencies to relax the strict regulations. I recall the mood at this year's Congress of Economists where the terms used were more blunt: "conviction" at the government level, instead of "vision"; and "blackmail" instead of "persuasion." In plain English, the heads of central agencies barely concealed their opinion that the enterprises wanted to force the government to modify as soon as possible the regulations that have been introduced as of 1 January 1985 and are further draining the enterprises' financial resources. As one of the enterprise managers interviewed in our series puts it, "The biggest trouble is that regulation performs income-distribution tasks, instead of boosting production."

Where does the shoe pinch? The answer at the macroeconomic level is easy: economic growth is slow; export is low in volume and expensive; and the balance of payments is wobbling, struggling once again to overcome deficits. It is relatively easy to find a seemingly acceptable answer also in the sphere of government: due to the weakness of the whole economy, the state treasury cannot forego its revenues and abandon comprehensive income regulation, and must therefore continue to subordinate to comprehensive income regulation the investment possibilities and the shaping of the background of the enterprises' lives. Macroeconomic management by the government, therefore, wants to remain consistently strict.

The enterprises respond to this by nodding appreciatively. But then they suddenly prick up their ears and level the following charges at macroeconomic

management: every level of general policy promised by the 1980's technological development, investment resources, pleasantly easy import, and especially enterprise independence, the ability of the enterprises to freely choose their directions.

Yes, but on what?

The Heavier the Burden, the Greater the Achievement?

"We got freedom, but without money," complains bitterly the economic director of a Hungarian enterprise that is a successful exporter. The answer could be, "Earn it!" The complaint continues: Earning the money is no problem. The problem is that the enterprise does not get to keep what it earns. Entrepreneurial willingness in Hungary is hamstrung by a maze of taxes.

And this is the issue on which it is difficult to argue with the complaining rebels. Not only has the enterprises' tax burden not become lighter by the mid-1980's; they are being squeezed even slightly harder.

Thousands of different relations have developed in the world between governments and enterprises during economic crises. What should a government do during persistent stagnation?

Among the numerous versions, there are two that stand out clearly. In the case of a depression, recession and a large number of enterprises on the brink of bankruptcy, some states drastically reduce the enterprises' tax burden to allow them to catch their breath, and then, on the basis of these tax cuts, give the enterprises tax concessions over a strategic period. This is one solution.

The other solution is likewise familiar. Parliaments and governments--abiding by the principle of "the heavier the burden, the greater the accomplishment," and also bearing in mind the momentary interests of the state budget, of course--consistently maintain the tax burden, and even increase it if necessary. This is the solution that Hungary has been pursuing in the first half of the 1980's and evidently intends to follow in the coming period as well. It is obviously a political decision that macroeconomic management attaches more importance to domestic economic equilibrium as an instrument and condition of external economic equilibrium, respectively to the tax revenue that feeds domestic economic equilibrium, than to the sources of the enterprises' growth. The former is the more important, and also the decisive when the two conditions are in conflict.

This is why many enterprise managers are saying that the new regulators serve central economic-policy objectives--for example, maintenance of external economic equilibrium, curtailment of domestic purchasing power, and stepped-up struggle against inflation--and not the more efficient operation of the enterprises. Yet it is quite logical and obvious that the treasury cannot remain consistently full when enterprise profits are meager. Unless . . . Unless the treasury reduces budgetary expenditures to the level of austerity. But evidently we have already reached the lower limit of austerity.

Let us not deny that there are many enterprises whose top managers consider the new regulators more progressive than the previous ones. They are enjoying the greater flexibility, the wider freedom of choice, and the calculations that the financial advantages involve. The business and doing business. One of the subjects interviewed for our series cites as a refreshing example that now, after paying the engineers ridiculously low salaries for decades, it is possible to reward the outstanding work of an individual or team with a raise amounting perhaps to many thousands of forints.

Attention has focused on the feasibility of reallocating capital, as hope that the physical, intellectual, material and financial resources used inefficiently up to now will cast off their bonds and seek a new forum for themselves, parallel with the complete or partial liquidation or reorganization of the given enterprises. Slowly but surely, we are beginning to accept the idea that it may be more advantageous to abandon production at a loss than to continue it. What Sisyphean syndrome did it take to produce in a given factory a forint's worth of value at a cost of 1.50 forints, with the sweat of thousands of workers and using up mountains of materials costing millions? Although hardly any enterprise has been liquidated so far, there have been many promising examples of enterprises allowing one or another of their plants or detached factories to spin off and operate independently. Or examples of enterprises selling off some of their machinery and equipment, so as to manage their remaining resources more efficiently. Parallel with the latent contradictions that exist between the enterprise sphere and the government agencies, sharply surfacing from time to time, and with the practically foreseeable conflicts of interest between them, the casual observer who studies the practical realization of the possibilities introduced as of 1 January occasionally encounters also surprises.

Tricks on the Playing Field

The national organization of young economists, for example, has demonstrated that enterprise managers regard as temporary the changes, the modernization of the regulators. Is this merely old conditioning, a Pavlovian reflex? The effect of our inability last year to point out hardly any regulator that shaped the field long term, in a plannable manner?

We would like to believe that this skepticism is only reflex-like and does not stem from a serious and profound analysis of the new regulators. But there is hardly an enterprise manager who expects the present rules of the game to be in force long. And if this is a person's opinion of the economic playing field, then presumably he will be inclined to yield to the temptation of playing unfairly. Mean trick, great success.

The aforementioned survey has provided other surprises as well. Enterprise managers have strong reservations about the enterprise councils as the new forum of democratic, collective management. They fear that the decisions adopted by these bodies will serve mostly short-term interests--such as higher pay or profit, for example--with less attention to long-term development (refusal to vote funds to increase the enterprise's capital). They are concerned that the decisions of the enterprise councils, although democratic in principle, may become bureaucratic, questionable resultants of mutual concessions measured in centimeters.

This much skepticism is insulting. On whom can the process of macroeconomic management's modernization rely if not on the mass support of reform-minded entrepreneurs, i.e., the top managers of enterprises? The process of reform is not the subject of bargaining once or twice, and it cannot be measured only when preparing the yearend balance, in the general ledger.

But then where can it be measured?

Certainly on the maintenance and stabilization of external economic equilibrium. But it has been obvious for years to many people that we have sacrificed economic growth on the altar of maintaining our balance of payments in equilibrium. Rarely do new springs spout. Therefore the enterprises, too, should understand that we have failed to reach not only Canaan, but even the year of change: our rate of capital replacement will continue to remain low. We probably will be unable to significantly increase our investment even in the future. Instead, the money which we would have spent on investment will have to be used differently, in a way that will better serve technological perfection.

Those who regard these days here at home as one of the economic-policy turning points of this century are not exaggerating. It is doubtful that additional resources could be "saved" by further curbing consumption. Therefore it is essential that we find the new elements of sustained growth. And as these elements are not hidden in the philosophers' stone, will not spring forth from the earth or drop from the sky, and will not be donated to us by either East or West, the only place we can seek them is in production.

And production is proceeding at the enterprises. Or not proceeding.

The enterprises' complaints may be insulting, annoying, or even unfounded. But the increase of production and income depends basically on them. The enterprises must be treated with severity. But with the severity of economic laws, and not with the severity of bureaucracy. And what macroeconomic management expects of them is that they believe in the rules of the game.

The prize for fair play is waiting to be awarded.

But since the game cannot be called and there is occasionally rough play on the field, let the referee blow his whistle and listen to what one side has to say.

Our series, in which enterprise managers will speak out as of next week, serves this purpose. But it does not wish to assume, of course, the role of referee.

Freedom Illusory

Budapest MAGYAR IFJUSAG in Hungarian No 39, 27 Sep 85 p 2

[Interview with Dr Marton Poka, deputy director general of the Quality Shoe Factory (Minosegi Cipogyar), by Erzsébet Molnar]

[Text] Among Hungarian shoe factories, the Quality Shoe Factory is middle league. Last year it made 104 million forints of profit on 1.301 billion forints of output. It has a work force of 3,900. We interviewed Dr Marton Poka, the factory's deputy director general, about the system of economic regulation that has been amended this year.

[Question] What changes would you make in the system of economic regulation if you had the authority to do so?

[Answer] I would give the enterprises freedom, not attempt to regulate what cannot be regulated, and leave alone the laws that I could not change. The biggest trouble at present, in my opinion, is that regulation serves income-distribution tasks. This is its primary objective, and not to stimulate production. There is no profit incentive. Of primary importance are the social, social-policy and similar considerations, and not the economic aspects. Sooner or later it becomes evident that the given mode of distribution is destroying industry, and then we devise another distribution. But always only distribution. Whereas if we were to turn the whole thing around, if the system of regulation were first of all stimulating production and providing suitable incentives for operating at the highest possible profit, there would be more to distribute. At the moment, I believe, we are in a transitional period. We are striving to inject new elements into the system of macroeconomic management, but do not dare to make it complete and are retaining also the old elements.

[Question] Which old elements do you have in mind?

[Answer] According to Parkinson, the Colonial Office in Britain was the largest when Britain lost all her colonies. It is by no means certain that this phenomenon is a strictly British characteristic. But seriously, public administration and the economy's structure have not been reorganized in harmony with the changes in macroeconomic management. And last but not least, only experts should have a say in running the economy. Quackery is prohibited by law. A layman, for example, is not allowed to remove a kidney stone. But in the economy we encounter large numbers of comparable operations performed by laymen.

[Question] But there has been a change or two also in public administration.

[Answer] A few ministries have been merged and their staffs temporarily reduced, while the staffs of institutions in the background have been increased. And so far as the authority, organization and staffing of the ministries in Hungary are concerned, they seem to be tailored to a country with a population of at least 300 million.

[Question] After these preliminaries it is perhaps superfluous to ask you for your opinion of the regulators introduced in 1985, and of the modified system of macroeconomic management.

[Answer] I do not consider them good. The change is incomplete. Some elements of the economic mechanism have been or are being amended, but the others are not. Each element leads a separate life of its own, and the elements are not linked together into an integral whole. In this way the elements are unsuitable for their roles.

[Question] The regulators are often accused of changing more often than they should. Which elements in this year's system of regulation do you regard as stable also long term?

[Answer] None. They are just as temporary and completely unstable as we have been experiencing up to now. It is impossible to see in advance how the cost of an investment could be recovered or how a loan could be repaid. By the time the cost of an investment would be recovered, or a loan would have to be repaid, the rules of the game will again be entirely different.

[Question] In your opinion, what were the underlying motives and the objectives of modifying the regulators? Have the modified regulators increased the enterprises' independence, or have they been directed mainly toward solving macroeconomic problems?

[Answer] Rather the latter, the solution of macroeconomic problems. Their alleged solution, moreover, because the system of regulation is unsuitable for solving these problems and is unable to solve them. Take inflation, for example. The system of regulation wants to halt it, unsuccessfully. In any event, the system of regulation has not increased meaningfully the enterprises' independence and freedom. It only seems to have done so, at best. The freedom that it has given us, without money, is illusory.

[Question] Why should the system of regulation give you money?

[Answer] Instead of giving us money, it should just not take away what we have earned.

[Question] But there is some system of payments to the state budget in every country.

[Answer] Of course there is, and that is not the problem. We regard as unrealistic not the fact of having to transfer payments to the state budget, but the excessively high rate of these payments. From our enterprise, for example, the state takes away 70 to 80 percent of our profit, in the form of various payments to the state budget. I disapprove also of the multistage system of payments, of the many kinds of taxes. In the developed industrial countries there are only two kinds of taxes. One is the general corporation tax, and the other is the personal income tax. The corporation tax is geared to the budget's needs at any given time. Its upper limit is the level at which the corporation is still viable. In our country we have a multitude of taxes on the one hand, and a maze of subsidies on the other. An inscrutable chaos of these financial levers dominates the economy.

[Question] Which form of pay regulation has your enterprise chosen?

[Answer] Pay level regulation, because it gives us somewhat wider opportunity to raise nominal wages, and thereby for wage differentiation. But even so, the rate by which we are able to raise nominal wages is not high enough to alter in any way the enterprise's situation in the labor market. We are planning a 6-percent raise this year--above 4 or 5 percent, pay level regulation has proven more advantageous, that is why we have chosen it--and our workers certainly deserve it, because their average pay is very low: 55,000 forints a year.

[Question] What is your opinion of the present forms of pay regulation, in comparison with the previous ones?

[Answer] There is wider opportunity to raise nominal wages, but the taxes on wages are extremely high, unrealistic. Things will not remain this way long, in my opinion. Pay regulation will cease within a few years. At least I hope that it will. For it makes no sense and has no function.

[Question] If pay regulation ceases, how will then the outflow of wages not backed by performance be controlled, to curb inflation?

[Answer] Well, they are unable to control it even now! During the first five month of this year, wages in industry rose by about 9 percent, in contrast with the approximately 6 percent planned; at the same time, industrial production dropped, by about 2 percent. Inflation has indeed been strongly undermining public morale in Hungary these years. However, this cannot be stopped by administrative means, only with production, respectively by stimulating production.

We ought to take cognizance of the fact that wages are a cost item for the enterprises, in the same way as materials or other costs. According to the regulators now in force, annual pay exceeding 24,000 forints is already taxable. This again, in my opinion, is unrealistic and illogical. Who is able to live on 2,000 or 3,000 forints a month? Everywhere in the world, only incomes above the general cost of living are taxable. In our country, at a very modest estimate, this is about 5,000 forints a month. Therefore I would not tax earnings under 60,000 forints a year; above this limit, of course, the tax would increase progressively.

[Question] In what way does the undivided incentive fund increase the enterprise's decision-making authority?

[Answer] The freedom it provides is illusory. It reduces the amount available for personal incentives, and also the amount that can be invested.

[Question] Do you approve of resource-commensurate taxes?

[Answer] I do, because they provide an incentive for the suitable utilization of resources. But only if such taxes remain in force over a longer period of time, and not merely a year or two.

[Question] How much does your enterprise have this year for development, investment?

[Answer] Nothing. The accumulation tax and other burdens have frustrated our investment plans.

[Question] Among the shoe factories in Hungary, the Quality Shoe Factory is the only one that is a member of the price club. What advantages does membership in this club offer?

[Answer] There is less opportunity for the pricing authority to interfere in domestic pricing. We are able to expand our export to capitalist countries more easily, and we are spared administrative chores in conjunction with pricing. In my opinion, this form of regulation is good. (The only thing even better would be if there were no price club at all.)

[Question] To which form of enterprise management is the Quality Shoe Factory being assigned, and what do you expect of the new form?

[Answer] An enterprise council, to be formed in 1986, will manage the Quality Shoe Factory. In my opinion, the new body will provide collective management only perfunctorily, at least initially. Its decisions will be motivated basically by short-term considerations, and the new body will become divorced from the enterprise's interests. And last but not least, in conjunction with all this the role of know-how in the enterprise council's decisions will be reduced. The question is, What is more important for the operation of an enterprise: democracy in management or know-how and specialized knowledge? If the emphasis is on the democratic nature of management, then the whole thing becomes naive and only increases the number of laymen participating in making the decisions.

[Question] Do you expect any advantages from the operation of the enterprise council?

[Answer] In spite of what has been said, I believe that in the long run this form of enterprise management might nevertheless offer advantages in that it could speed up the replacement of managers, improve their selection, and help the better-qualified specialists to top posts. It could start off a process of becoming independent within the enterprise, and the factory units and smaller collectives would be able to decide more freely than up to now. There would be a greater internal demand and compulsion for the enterprise's self-organization. All this, of course, would not come about with one stroke. A good many years will be necessary for the people to become acquainted with this untried form, which could also change along the way. At first the perfunctory characteristics will probably be the stronger. For why should specifically the enterprise council function flawlessly from the very beginning? Not to mention that the question itself is wrong. Not the enterprise council in general will be good or bad. Instead, there obviously will be good and bad enterprise councils. By my estimate, the proportion of properly functioning enterprise councils will eventually reach 50 percent, which is fairly good. If this new form is able to solve the training of cadres and perhaps nothing else, it will have earned its keep.

Regulators Termed More Flexible

Budapest MAGYAR IFJUSAG in Hungarian No 40, 4 Oct 85 p 12

[Interview with Dr Peter Toth, economic director of the Csepel Machine Tool Factory (Csepeli Szerszamgyar), by Erzsebet Molnar]

[Text] With its work force slightly declining, the Csepel Machine Tool Factory expects rising sales and higher profits this year: 160 million forints of profit as compared with 113.5 million forints last year. We interviewed Dr Peter Toth, the economic director, to obtain his views of the changes in the economic regulators.

[Question] How do you rate the 1985 system of regulation?

[Answer] It is much more progressive than the previous ones. It gives the enterprises a choice. The regulators are not so rigid as in the past, but much more flexible. The enterprise has a choice on several issues. It is able to calculate how it would fare better under the given rules of the game. And these are already real options. The enterprises have an opportunity to calculate and to manage their business. All this does not assert itself adequately at our enterprise as yet, because our starting position is unfavorable due to our enormous total debt. But even so the prospects, the opportunities that the regulators provide, are better than before. The present system of regulation is already an economic one, despite the fact that it contains also mandatory measures related to the national economy's interests (equilibrium, curbing inflation, etc.). For the first time there is a real link between raises and profit. Attention has focused on profit in several respects, to such an extent that, with slight exaggeration, even those have to consider it who previously did not know what it means.

[Question] You mentioned a substantial total debt. What burden does this place on the enterprise?

[Answer] Our total debt at present is 520 million forints, which we will repay by 1990. Which means that this year and next we will still have something for development, but--according to preliminary estimates--we will have nothing left for it thereafter. Incidentally, our total debt is something our enterprise inherited when the Csepel Works Trust (Csepel Muvek Troszt) was broken up. At that time this total was still around 600 million forints. Actually this is the third time we are repaying this 600 million forints. We already repaid this amount twice to the trust in its time. It should be enough when an enterprise pays its debt twice.

[Question] In what respect is the system of regulation compelling the enterprise to change its marketing policy?

[Answer] Under the present regulations, export to capitalist countries is not too advantageous for the enterprise. Moreover, it does not make continuous production and a continuous cash flow possible. Such export is not very profitable, and the profit can be realized only in a very long period of time. Whereas we must strive primarily for export that ensures a continuous cash flow, does not upset our financial stability during the year, and enables us to get our money within a reasonable period of time. This is why we have substantially increased the proportion of our export to socialist countries.

[Question] The change of which regulator element do you regard as one that enhances the enterprise's entrepreneurial operation?

[Answer] The undivided management of the incentive fund. This gives the enterprise a freedom of choice. Admittedly, this freedom is not broad enough as yet.

[Question] Which regulator element do you consider stable also long term?

[Answer] The profit incentive's reinforcement. Everyone is forced to examine what effect profit has on changes in the product structure, and on the development of costs and wages. We are confident that those elements of the system of

regulation which make decisions and choices possible will remain in force at least four or five years, because otherwise it would hardly be possible to plan ahead, forecast, and make decisions that will remain valid even a year or two from now.

[Question] Which form of pay regulation has your factory chosen?

[Answer] Pay level regulation. We could have opted also for pay increase regulation, but with the wages stemming from this form of pay regulation it is not possible to retain well-trained workers. According to our computations, the burdens of pay level regulation and pay increase regulation would have been equal at a raise of seven percent. Above this rate, pay level regulation is the more advantageous. And this year we are planning to give our workers a raise of nine percent, because we regard their retention exceptionally important, a primary consideration. It is true that with a smaller raise, of about three or four percent, under pay increase regulation we could achieve substantial savings, but then there would be nobody to whom we could pay out these savings.

[Question] How do you rate your chosen form of pay regulation?

[Answer] It is more flexible and linked far better to enterprise profit than the previous forms were. It makes a larger raise possible, and thereby also wage differentiation. In a collective of about, say, 20 to 30 workers it is necessary to pinpoint the six or seven workers on whom you can always rely, and who pull the others with them. We are striving to pay these workers well. The differences are already spectacular and have a truly stimulating effect. We have introduced highly differentiated wages at the enterprise, giving raises of 2000 to 3000 forints, for example, to the engineers and technicians pulling the greatest weight. But there is considerable wage differentiation in the shops as well, and the workers are gradually accepting these wages. Everyone is aware that a 9-percent raise will be possible if we attain a profit of 160 million forints this year, and the relationship between profit and raises can be broken down easily by shops and smaller collectives. It is clear what performances must be achieved to earn specific amounts of pay, and this is a very effective incentive.

[Question] In your opinion, how long will the present system of pay regulation remain in force?

[Answer] Certainly for two or three years, and certainly not more than five.

[Question] In what directions can we expect changes?

[Answer] The present forms of pay regulation are unable to make the movement of manpower economical on the macroeconomic level. A solution must be found for this. The contradictions between pay earned in enterprise work associations and "regular" pay should likewise be resolved. For the worker it is all the same whether his take-home pay is regular pay or pay earned in the enterprise work association. We have calculated what level of regular pay would be necessary to do away with the enterprise work associations. Well, in contrast with the 82,000 forints planned this year, the level of regular pay

would have to be increased to nearly 100,000 forints. But this will be possible only in a good many years from now, although it is unwarranted to pay the same people once more and then again less for the same work, depending on whether they are working during their regular hours or in an enterprise work association.

[Question] In your opinion, is pay regulation an enterprise category?

[Answer] No, it is not. Consequently, I do not regard pay regulation at the enterprise level necessary.

[Question] Do you approve of resource-commensurate taxes?

[Answer] No, I do not. There is a paucity of resources on the macroeconomic level, and the objective is to improve efficiency. The labor and capital requirements differ in accordance with the production structure of the enterprises, and a standard for them cannot be well defined on the macroeconomic level. The application of resource-commensurate taxes, in my opinion, does not make economic sense. For as long as the forint does not have the same weight when it is spent, respectively, on costs and on wages, there is no real possibility of substituting resources.

[Question] Has the capital tax prompted the enterprise to sell off its assets?

[Answer] The enterprise is striving to sell its surplus assets not because of the 3-percent capital tax, but to increase its incentive fund.

[Question] What measures would you recommend in the interest of reducing centralization?

[Answer] The sources of the national economy's losses should be revealed for this purpose. The practice still persists that attempts are made to salvage, with large injections of money, the enterprises that "get into trouble" through their own fault, by producing expensively and uneconomically. Instead of investing this money where it would be perceptibly recovered and could perk up the economy.

[Question] To which form of enterprise management is the Csepel Machine Tool Factory being assigned?

[Answer] We will set up an enterprise council already this year.

[Question] What is your opinion of this form?

[Answer] At least two or three years are necessary before one is able to form a well-founded opinion. This is an entirely new form of enterprise management, one has to learn how to use it, and this cannot be done overnight. I think that greater expectations are being attached to it than what can be realized, at least initially, because at first the perfunctory characteristics will be the dominant. It is hard to predict to what extent this body will be able to meaningfully shape the internal life of the enterprise, how much will it aid the enterprise's growth or in what respects will it hamper growth. In any

event, it can serve to keep the workers better informed, thereby helping them to better understand the importance of their tasks, and can also strengthen the workers' attachment to the enterprise. This in itself would be no mean achievement.

[Question] What are the possible hazards of this new form of enterprise management?

[Answer] It will probably make the decision-making process more bureaucratic. The danger exist that know-how might be assigned a smaller role in the decisions of this body, and that its decisions might be motivated by short-term considerations. It is not certain that the delegates will be able to rise above the momentary interests of their narrower collectives. Collective management through this new body might be only perfunctory. A series of questions have yet to be clarified, and therefore it is hard to tell how the whole thing will work. How will the role of the trade union and of the party change, and their ability to interfere--not according to the statutes but actually in practice. On the other hand, it is undeniable that the process of decision making will become, at least potentially, more democratic; it will be possible to assert social-policy considerations more effectively; and the flow of information in both directions, from below as well as from above, will certainly be better. As for the rest, time will tell.

Financial Regulations Encourage Decentralization

Budapest MAGYAR IFJUSAG in Hungarian No 41, 11 Oct 85 p 12

[Interview with Gabor Barcza, economic director of the Budapest Leather Industry Enterprise (Budapesti Boripari Vallalat), by Eva Forinyak]

[Text] [Answer] For the time being it is very difficult to form an opinion regarding the effect that the new economic regulators, introduced as of 1 January of this year, will have on our bottom line; even in the short term, let alone long-term forecasts. Up to now we have studied only the most important elements, e.g., how the new form of pay regulation will fit into our plan, or what advantages the incentive fund offers for the enterprise.

[Question] What is the situation of your enterprise at present? For that determines how you will be able to take advantage of the opportunities the new regulators provide.

[Answer] The Budapest leather factories were deprived of investment after 1945, and the concept long prevailed that tanning had no place in the capital and ought to be moved to the provinces. As a necessary consequence under these conditions, the plant and equipment of the leather factories deteriorated unbelievably, to such an extent that by 1974 it was no longer possible to delay the reconstruction of the Budapest factories. At that time the factories received 500 million forints for reconstruction, which was enough only for the most urgent work. This meant that there was no money left at all for the most essential part of reconstruction, the scrapping of old machines and their replacement with new ones. Even so the Budapest Leather Industry Enterprise assumed substantial debt, and our loans will expire only five years from now.

And to all this we should add the following facts: the price of raw hides doubled seven years ago, and then dropped to half within a short time. In the early 1980's, we reduced the prices of our products because of the competitive pricing system, which caused a dropout of several hundred million forints in our proceeds from sales. When raw hides--we buy them mostly from abroad--again became more expensive last year, our costs rose sharply. Therefore it will not be surprising if I say that our pockets are empty, to put it mildly. Thus we are able to take advantage only to a limited extent of the opportunities that the new regulators offer. For it is common knowledge that a poor man will not have more money merely because he is better able to husband the little that he has.

[Question] In what ways do you expect the changes to exert their effect?

[Answer] Enterprise independence obviously is increasing, but the extent to which this process will be able to unfold remains an open question. How much of a free hand will the enterprises be given in managing their finances? And most importantly, What will be the limit up to which the enterprises may make expenditure decisions independently? These questions will be determined by how high the tax rates will be, and these in turn are unambiguously functions of the state of the economy. Thus the fate of the enterprise is clearly linked to the fate of the national economy. This is why it is difficult to predict even the trends, because even the most simple assumptions can be upset by supplementary regulations. We may prepare the best possible enterprise plan, but a single decree of the Ministry of Finance can upset that plan, and our incentive fund can go over into deficit within seconds.

[Question] Do you expect to have more money for development in the near future?

[Answer] I sincerely hope that the banking system's modernization will have a beneficial effect on our developmental possibilities. If the bureaucratic relationship between the enterprise and the bank changes to a truly business relationship, then we certainly will not have to wait months for the realization of an equipment-leasing deal. The procrastination is harmful to everyone concerned: the bank, as well as the Hungarian and the foreign partners. Incidentally, if everything goes well, we will have four or five new installations in operation as of this autumn; with them we intend to improve primarily the domestic supply. Therefore I consider it very important that the bank handle the equipment-leasing deals quicker and more flexibly, because foreseeably this is the form of development we will be able to undertake in the coming years. Namely, equipment leasing does not place too heavy a burden on the incentive fund, and we are able to charge the rent to costs. The change and modernization of the banking system are of basic importance because today practically no enterprise is capital-rich; in other words, an enterprise is unable to undertake development projects without obtaining loans. The importance of technical development, I believe, has already been explained before fairly many forums, both by economists and politicians.

[Question] In your opinion, which of the new forms of pay regulation can be expected to have the brightest future?

[Answer] Our enterprise was assigned to the category of pay level regulation, but we have opted for pay increase regulation. Had the management of our enterprise strived for security, we would certainly have decided in favor of the central, stricter form. However, our enterprise has been willing to take the risk. We would like to increase pay by 5 percent, because our incentive fund cannot tolerate more for the time being. In addition, we have decided to assume every higher tax rate that will increase pay yet can be covered from earnings. Incidentally, I think that pay level regulation offers the most possibilities. This is the form that ought to be refined, made more flexible, and brought closer to the regulations on small businesses; instead of trying to "finish off" the enterprise work associations, as this is being done at many enterprises. At least generally identical conditions are a prerequisite for competitiveness. Incidentally, if our enterprise splits up, our unit would probably choose pay level regulation.

[Question] Which means that you intend to take advantage of the financial benefits that encourage decentralization.

[Answer] Yes, we do. These regulations provide a strong incentive for split-ups and spin-offs. The capital tax levied on our enterprise is 40 million forint a year. The remission of this tax would perceptibly improve our financial situation. The rescheduling of our loans would also be very advantageous for us. And the fact that we are able to pass on also the costs related to reorganization has been another argument in favor of converting our Csepel factory unit into a subsidiary as of 1 January. But this collective of between 100 and 150 workers is not the only one to avail itself of the opportunity to become independent. The Hajdu Region Leather Factory (Hajdusagi Borgyar), with a work force of about 600, has also announced at the beginning of this year that it wants to spin off. And when in February it became possible for the factory units to announce by 30 April their intentions to spin off, the collective in Csepel has decided not to remain a subsidiary but to try operating independently. As of July, therefore, we will be split into three. In the case of operation as a subsidiary, incidentally, I have always regarded as a somewhat unhealthy solution the fact that the umbelical cord is not cut: we would have remained jointly and severally liable for the obligations of our subsidiaries. For if we are talking about independence, it ought to be real independence: if someone wins, the winnings should be his alone; but if someone loses, he alone should bear the loss.

[Question] You are in favor of decentralization?

[Answer] I am in favor of letting the national economy's interests and common-sense, rather than fashion, dictate centralization and decentralization. If business considerations are the dominant also in decisions of this kind, ill-conceived measures will not be able to occur that "harm" the national economy for many years and, of course, the workers of the given enterprise as well. Decentralization, in my opinion, can best be enhanced by means of financial levers.

[Question] What do you expect of the new forms of enterprise management?

[Answer] I do not expect them to produce a breakthrough. But it is obvious that the director's dependence on the enterprise collective is increasing, and his dependence on state administration is declining. I think we may justifiably expect also the strengthening of democracy. But at the same time the danger exist that unpopular measures will be introduced more hesitantly, and that short-term interests will be given preference over long-term ones. In any event it is indisputable that the new regulators have created many new possibilities, but we will be able to say that they are real possibilities only when we have tried them out in practice.

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POLAND

PLANNING OFFICIAL ON COOPERATION PROTOCOL WITH USSR

Industrial Cooperation, Joint Ventures

Warsaw RYNKI ZAGRANICZNE in Polish 15 Oct 85 pp 7, 8

[Excerpts of Minister Kubiczek's statement at a press conference at the Planning Commission]

[Excerpts] Our talks with the Soviet partner covered many subjects related to specialization and industrial cooperation. The scope of these ties in the coming five-year period will be greater than at present. Tens of new specialization/coproduction agreements were signed in the chemical and engineering industries.

There are two items to which some attention should be devoted, since they give rise to two new specialties which in the 1990s--and also in the longer run, after the year 2000--may grow to big dimensions.

The first are shiprepair services. As is known, their exports are profitable. One agreement provides for the modernization of our shiprepair yards on a credit basis. We will buy two large docks and many pieces of necessary equipment. We know already now that this item will show very big growth-rates in successive five-year plan periods. The reserves are enormous.

The other item, very important for meeting the needs of both Polish and Soviet societies, is the expansion and modernization of the pharmaceuticals industry. Several months ago, the Government adopted a relevant executive order. The industry's shipments will grow by the year to both the domestic and to the Soviet market. At the end of the coming five-year period, the deliveries to the USSR will reach a sizeable level. This export, too, is profitable.

Together with Minister Lakhtin [Vice-Chairman of the Soviet Planning Commission], we visited Hydomat and [its manager and chief designer] Mr Nowak. Several months ago, the factory was visited by the present Soviet Premier Ryzhkov. In effect, the Soviet Union placed big orders with Hydomat, enabling it to increase output and shipments by a dozen-odd times, and offering fantastic opportunities for the factory and for Mr Nowak's designs [of hydraulic presses]. This export is also profitable--and useful to the Soviet Union. For Mr Nowak, this is the case of an old dream coming true.

By 1990, the share of specialization and coproduction shipments in the engineering industry's deliveries will approach 30 percent.

In the course of plan coordination, and especially in the recent period, we raised the question of completing the halted investment projects. As is known, we discontinued a big number of projects for two reasons: lack of resources, and failure to comply with the program of structural changes. We made a new review of those investment projects which are in agreement with restructuring program but which we could not continue for lack of funds. Many such projects will be completed in cooperation with the Soviet Union. One example, with which we started this kind of work, is the completion of a production facility at the Cracow-based enterprise Miraculum. It was agreed, at a meeting attended by the enterprise's management, and representatives of the self-management body and the party branch, that this will be done on the basis of a newly-established joint Polish-Soviet company. Also completed in cooperation with the USSR will be a chemical equipment plant in Opole (with Soviet shipments worth TR 50 million), a woodwork plant in Tuchola, and several other projects.

One issue to which we--especially on the Polish side--attach great importance is that of joint companies. At present there are four such units in Poland, widely covered by the press. We have vast experience in the field--both as regards benefits and some complications involved in the operation of such firms. After deep analysis, we decided to present some offers in this field to the Soviet partner. We have nine such proposals, of which seven are complete and two at the analytical stage. What are these joint companies?

First, they have to do with joint completion of halted investment projects and the establishment, on this basis, of joint companies. Miraculum is one example here.

A second option is to build entirely new plants which since the very beginning would involve Polish and Soviet capitals. One example here is a potato-processing plant in the Bielsko-Biala voivodship. There are also opportunities for setting up a Soviet-Polish firm--with the same statute, production profile, and principles--on the Soviet territory.

Third, we have four or five proposals on the establishment of joint companies in the engineering industry. They would comprise either whole enterprises or their separate departments. The goal is to jointly modernize and reconstruct productive capacities.

Yet another proposal--of as yet unspecified legal formula--is that one Polish enterprise and one Soviet counterpart should form a sort of a union, or a joint enterprise. The work on the subject's economic, financial, legal and organizational aspects--by a working group of the Foreign Trade Ministry--is underway.

There is a proposal to set up a joint transport enterprise, to supplement the big program of [Poland's] fruit and vegetable exports, in which transportation

is the most troublesome element. Our Agriculture Ministry has come up with new initiatives on the subject, and this chance is going to be tapped.

We devoted much attention to direct links between Polish and Soviet enterprises. They are maintained at present between 80 Polish firms and 80 Soviet ones. Add to this 40 Polish and 40 Soviet research and development establishments, and you will have 240 units. These are not just single, exceptional cases. This is a new quality. The Planning Commissions of Poland and the Soviet Union will also begin work of systemic nature which will facilitate not only direct contacts but also concrete measures in the field of production, design, trade exchange, industrial cooperation, etc.

And finally, there are individual issues--each of very big importance. We have tried hard to purchase [equipment for] two lignite mines, as this is a condition for carrying out the Szczercow project. We are assured of the supply of 110 trolleybuses. Owing to the delivery of Soviet Union's TU 154s, and IL 62Ms we will be able to renew our aircraft fleet. We are promised that possibilities of further shipments will be studied.

There are many subjects which are not yet finished and upon which we will continue to work in the next year. Interest in them is taken by both sides. One of such subjects is the expansion of the Jednosc steelwork, especially as regards the production of small-diameter pipes.

This would be the completion of an already started project.

We are studying the construction of a production facility for corrosion-resistant steel. This problem is unsolved in Poland, and it predicates the modernization of our food-processing industry. The Soviet and Polish ministries show interest in this subject.

A subject which attracted the attention of not only industrial ministries, but also of those responsible for science and technology, is that of joint production of delivery vans and diesel engines. This project is well advanced, and final decisions are likely to be passed in the first quarter of next year. This would be a big venture for both countries. We might then abandon the production of Zuks and Nysas and switch to a different fuel. These would also be export products.

These three subjects--and Jednosc steelworks, the corrosion-resistant steel, and the delivery van plus the diesel engine--would absorb the amount of several billion roubles, counting the Soviet deliveries and our investment contribution.

And finally the fourth subject. We are initially studying the modernization of an aluminum smelter in Konin on the basis of Soviet machinery. The Polish side is preparing relevant technical blueprints. The Soviet Union expressed the readiness to come to our help as far as machinery shipments are concerned.

Cooperation and Balance of Trade

Warsaw POLITYKA in Polish 19 Oct 85 p 3

[Interview with Franciszek Kubiczek, Planning Commission Deputy Chairman, by POLITYKA]

[Text] Question: The Polish-Soviet protocol on coordinating the two countries' coming five-year plans, signed on October 7, differs in many respects from previous agreements of this kind. The coordinating procedure is itself strikingly different this time. Toward the end of the work preparing this deal both sides even appointed special government working teams. What did these teams do, and what do you, as chairman of the Polish team, have to say on their work?

Answer: The teams were composed of the deputy heads of the ministries concerned and they were led by deputy chairmen of each country's planning commission. They were to find new ways of further expansion of trade, mainly--may I emphasize--by establishing close economic ties between the two countries, that is, by expanding specialization, cooperation, joint ventures, and, in some cases, by founding joint companies. In just two months we managed to increase trade by some 6 billion roubles.

Question: Just how did these teams conduct their work?

Answer: We held plenary meetings and had working visits at individual ministries and enterprises. I think the following is a good example of our cooperation. When we came to consider trade targets established earlier by deputy ministers, I and Minister Lakhtin, who headed the Soviet team, were sitting next to each other on one side of the table and the Polish and Soviet deputy ministers were sitting on the opposite side. We adopted this particular seating arrangement to discuss whatever benefits may result from any particular undertaking for Poland and for the Soviet Union. We kept to an overriding rule, that only those ideas which are beneficial for both sides should be accepted.

Question: The things agreed by the teams were just one stage in a longer coordination process, which took two years. How do you assess the effects as regards the needs of the Polish economy?

Answer: Total trade in 1986-90, at 1985 prices, will amount to 73.5 billion roubles, or 31.2 percent more than in the outgoing five-year period. Polish exports will go up by 48.1 percent and imports by 17.8 percent, enabling Poland to reach a balance with the Soviet Union over the entire five-year period. We will still have an adverse trade balance for two or three years, but thereafter Polish exports will outrun imports. Our current debt to the Soviets, which stands at some 5 billion roubles, is to be paid off after 1990, according to the October 7 agreement.

Question: Briefly, then, Poland will pay off all its imports with its own exports during the next five years but will enter the next five-year plan with the same debt on its shoulders it has now?

Answer: Yes, but our contribution to the gas pipeline segment from Yamburg to the Polish-Soviet border is to be treated as a separate item. It will be repaid by the Soviets later, in the form of gas supplies.

Question: Apart from this arrangement, Soviet gas and power supplies are already to increase in the upcoming five-year period. How is Poland going to pay for this?

Answer: The gas bill will be paid for with deliveries of goods made at the now modernized coke and rail plants of the Huta Katowice steel complex and with pressings from the Huta Pokoj steelworks. The increased energy imports are connected with our role in the construction of the Khmelnik Nuclear Plant in the Soviet Union. Imports of raw materials other than natural gas (which is being imported mainly for use in the chemical industry) will remain at the previous level or grow only slightly. These imports are of vital importance for our economy. Quite simply, many industries will be incapable of fulfilling the five-year plan quota without these materials. Raw materials, components and fuels account for two-thirds of our imports from the Soviet Union. For instance, we import 95.2 percent of all oil, 100 percent of natural gas, and 80 percent of all iron ore from that country. Imports of agricultural products are also extremely important, for the Soviets are our chief suppliers of potassic fertilizer, for instance. Two items deserve special attention in the coming five-year trade plan, namely soil-conservation machinery and mini-tractors. We will import 7,000 such tractors each year between 1986-90 and more thereafter. Let me also point out that we have a program of fruit and vegetable exports to the Soviet market, and we are making plans for the next 15 or 20 years.

Question: How about imports of Soviet-made consumer goods?

Answer: We will import goods for which the demand is strongest, that is, refrigerators and freezers, washing machines, televisions, bicycles, watches and cameras. Next year we will also buy 60 million light bulbs, and 50 million every year from 1987 onwards. As for other consumer goods let me mention tea (5,000 tons a year), canned fish, brandy, wine and champagne.

Question: The coordination process started long before it was due to end. How did it influence the design of Poland's five-year plan?

Answer: All CEMA countries sat down to coordinate their five-year plans two years ago. That was the only way to make sure coordination could help resolve development plans. We are already past the stage of ordinary short-term trade balancing, and we attach more and more importance to long-term planning, also for periods longer than five years. We also agree that coordination should be a continuous process, that it must make room for new ideas and new possibilities.

Question: Direct cooperation between individual companies has been a topic of much talk recently. How is it going to be organized?

Answer: This type of cooperation began a year and a half ago. At first, 50 companies were picked by each side, now there are already 80 each in Poland and the Soviet Union. While these partners have already come to know each other better, it can be said that if we want to give a boost to this kind of cooperation certain changes in the systems are very necessary.

Question: In the course of the coordination, and in the protocol itself, scientific and technical cooperation was named as one of the most important factors. It is expected, among other things, partly to relieve both sides from their dependence on the West in this respect. However, it is well known that in practice both countries face serious problems. Just what are the proposals for overcoming this barrier?

Answer: The Soviet Union is interested in scientific and technical progress no less than we are. The "technology gap" problem is known very well in Poland--this is true of each area and, to a large extent, even of each individual product. This gives rise to specific tasks for us. It is clear we cannot possibly deal with them on our own. The only way of handling them successfully is by joining forces with the Soviets in R&D. Cooperation possibilities with Western countries are limited, and Poland should not be blamed for this. Scientific and technical cooperation must be stable and not jeopardized by political vicissitudes. Poland and the Soviet Union have each picked 40 R&D institutions to cooperate closely. A model contract form has been worked out concerning procedures for exchanging experience, findings, and research personnel. Four such joint research groups are to be formed soon. They will work in close collaboration with industrial organizations and with a view to applying concrete scientific studies and findings in industrial production.

POLITYKA: Thank you for the interview.

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CSO: 2020/34

POLAND

NATIONAL ECONOMIC PERFORMANCE JAN-SEP 85

Warsaw ZYCIE GOSPODARCZE in Polish 27 Oct 85 p 11

[Article by Marek Misiak]

[Text] The September performance did not change the tendency towards slowdown in growth, seen since the fourth quarter of 1984. It is thus very likely that in the fourth quarter of this year, too, no changes will take place which would dispell fears about underfulfillment of the annual plan in its major targets concerning production, efficiency, and equilibrium.

Industry

The value of production in socialized industry rose 6.4 percent in the year ended September, but in terms of comparable working time the growth was by just 2.8 percent. And in terms of per-day growth the September rate was lower than that of August. This notwithstanding, one could hear opinions about allegedly high rate of industrial growth in September.

The Central Annual Plan (CAP) calls for a 4-4.5 percent increase in industrial output. In the first three quarters, the actual figure was up 2.7 percent (against January-September of 1984). It will be very difficult to make up for the missing 1.3 point (compared to the lower target) in the fourth quarter. Industrial output would have to grow then at an annualized pace of 7.8 percent. In per-working-day terms, the fourth-quarter dynamics would have to be 2.5 times higher than that recorded in September.

Assuming the fourth-quarter production dynamics at 5 percent, or nearly twice as high as that recorded in the first three quarters--which seems probable--we will have the annual growth-rate at 3.5 percent. It would be risky to expect quicker acceleration in the October-December period.

Big differentials between the actual performance and the plan targets are also seen in breakdown by branch of industry. Only in the food-processing sector was the three-quarters rate of growth (3 percent) higher than the plan target for the whole year (2.5 percent). In the minerals industry, the gap reached 7.9 pts (January-September fell by 3.3 percent against the planned growth by 4.6 percent). The attainment of the annual target in that branch would require 30 percent growth in the fourth quarter (compared to October-December 1984), which is of course unfeasible.

A similar situation was seen in two other branches of industry--chemicals and metallurgy. In the former, the three-quarters production rose 1.7 percent, which, given the plan target of 7.8 percent growth, represented a shortage of 6.1 pts. In the latter, the respective figures were up 0.1 percent, up 2.2 percent and shortage of 2.1 pts.

The situation was diversified also within the individual branches of industry. This is reflected in delays--compared to respective CAP targets--in the production of many articles. In the engineering sector, for example, the production of washing machines and electric spin driers was planned to grow by 5.5 percent this year, while in the first three quarters it actually fell by 4.1 percent. In refrigerators and freezers, the 14.6 percent annual growth target compares with the actual January-September increase by just 1.2 percent. The car output rose by 0.6 percent, instead of 7.5 percent planned for the whole year. The production of radio and TV sets was planned to grow by, respectively, 12.5 percent and 27.7 percent, while the actual increases were just 6.8 percent and 7.8 percent.

Investment and Construction

In contrast to industry, the construction sector is likely to meet the CAP target for the total value of production. The growth-rate for the value of construction/assembly output, planned at 3.7 percent for the whole year, ran at 2.6 percent in the three quarters. The difference is going to be closed rather easily, judging by the signs of expansion in investment activity.

However, employment in the sector is higher than planned. While the Central Annual Plan calls for a 1.4 percent reduction, the actual change in the three quarters was up 0.6 percent.

The dynamics of capital spending is also higher than planned. At the end of last year, planning documents put this dynamics at up 0.4 percent, and in the first half of this year, attempts were made at scaling down some of the planned investments, which should result in reduced spending on them. However, the eight-month data on investment expenditure (available with a monthly delay) show a 6.4 percent growth. One may find consolation in the fact that spending on machinery purchases rose at a quicker pace (9.6 percent) than outlays on construction/assembly operations 5.2 percent.

Progress in meeting the annual plan target for investment projects turned over for use is very slow, as reflected in the 19.8 percent figure at the end of August. In 1984 the corresponding proportion was 23.5 percent, with only 70 percent attainment of the plan target at the end of the year.

The September number of housing units put in place in the socialized sector (16,100) was higher than in the previous months. For the three quarters, the

Specification	1985										
	The same period of 1983 = 100			Absolute figures							
	The same period of the previous year = 100										
	Sept.	Jan.-Sept.	July	Aug.	Sept.	Jan.-Sept.	July	Aug.	Sept.	Jan.-Sept.	
1	2	3	4	5	6	7	8	9	10	11	
I N D U S T R Y											
Sold production of socialized industry, at 1982 producer prices, (m Zl)	102.5	105.5	620.5	629.3	673.1	5,861.4	101.8	102.7	106.4	102.7	
Average employment in socialized industry ('000s)	99.2	99.5	4,363.0	4,356.0	4,376.4	4,369.3	99.5	99.6	99.8	99.2	
Sold production per employee of socialized industry (thous. Zl)	103.3	106.0	142.1	146.9	153.0	1,341.5	102.3	103.1	106.6	103.5	
Average monthly wage in socialized industry (Zl) 1/	113.6	119.7	21,691	21,367	21,234	21,179	119.0	118.5	113.2	115.7	
Production of selected goods:											
- coal (million t.)	96.3	100.8	16.2	16.8	15.8	144.1	100.5	100.0	101.9	99.7	
- electricity (m. kWh)	106.7	109.0	9.6	10.0	10.6	99.5	99.3	101.1	102.2	101.6	
- crude steel (thous. t.)	110.0	103.8	1,419.3	1,345.7	1,393.3	12,124.9	100.9	97.5	99.5	96.9	
- farm tractors ('000s)	101.5	104.9	4.3	4.5	5.0	43.4	104.8	98.5	101.6	100.2	
- passenger cars ('000s)	104.3	103.7	15.7	24.3	26.4	203.0	77.0	166.0	107.4	100.6	
- household washing machines and spin-driers ('000s)	96.5	106.5	44.2	57.5	63.5	523.1	67.4	112.3	104.1	94.9	
- TV sets ('000s)	151.9	97.1	21.0	39.9	59.6	436.4	101.3	104.3	84.4	107.8	
- nitric fertilizers, in tons of N ₂ (thous. t.)	102.3	103.4	113.7	115.5	118.3	890.0	96.1	99.7	101.8	85.5	
- plastics, in thous. t.	107.2	109.6	41.4	59.8	50.1	422.2	106.1	110.7	100.5	97.1	
- osmium, in thous. t.	99.7	102.4	1,519.6	1,405.6	1,483.9	11,317.1	101.2	93.7	110.1	89.4	
- footwear, without rubber sole (m. pairs)	103.5	106.5	8.2	10.4	12.5	108.5	103.0	96.3	104.8	99.1	

1/ Average monthly wage in socialized industry (Zl) 1/

	1	2	3	4	5	6	7	8	9	10	11
	CONSTRUCTION										
Basic production of socialized construction/assembly enterprises, at constant prices (in Zl)		105.7	107.8	66.8	63.5	70.5	550.9	108.0	106.1	104.0	102.6
Average employment in socialized construction/assembly enterprises ('000s)		99.8	100.3	928.4	927.8	928.5	922.4	101.1	101.6	101.4	100.5
Basic production per employee of socialized construction/assembly enterprises (thous. Zl)		105.8	106.9	72.0	74.2	75.9	597.2	106.8	104.9	102.6	102.1
Average monthly wage in socialized construction/assembly enterprises (Zl) 1/		117.2	126.1	21,310	20,891	21,265	20,987	112.0	116.1	114.9	119.1
Housing units put in place, socialized sector ('000s)		101.1	98.3	4.6	8.5	16.1	77.7	84.7	112.5	109.3	90.5
Area of new housing units put in place in the socialized sector (thous. sq. m.)		101.3	100.6	257.2	466.5	892.7	4,307.1	83.9	111.5	111.6	91.4
Livestock procurement, in terms of meat (thous. t.)		105.1	99.0	193.1	144.7	163.7	1,460.0	100.9	100.1	107.4	108.9
Milk procurement (in l.)		103.5	107.9	1,235.3	1,147.6	1,049.9	8,712.4	97.6	96.9	97.0	97.7
				TRANSPORT							
Cargo carried by socialized transport (million t.)		99.5	103.6	98.7	97.3	94.3	804.6	102.2	98.7	101.0	97.2
of which:											
- by rail (standard gauge)		102.0	103.1	36.5	35.7	35.0	306.6	103.2	99.5	102.7	97.5
- by road (public and industrial carriers)		94.6	103.8	51.7	51.9	51.6	429.3	98.8	96.6	101.2	94.9
Transshipment at commercial sea ports (million t.)		122.7	122.4	4.9	4.7	4.2	37.6	108.9	95.3	94.0	86.2

1	2	3	4	5	6	7	8	9	10	11
	FOREIGN TRADE									
Exports, total (bn ZL) ^{2/}	109.9	108.3	121.0	131.0	175.8	1,171.5	92.7	99.6	111.8	103.6
- payments zone I	106.6	104.0	54.8	59.2	83.7	540.2	100.3	102.8	126.3	110.3
- payments zone II	112.9	112.5	66.2	71.8	92.1	631.3	86.6	96.1	99.9	97.6
Imports, total (bn ZL) ^{2/}	103.4	105.5	138.4	144.7	138.9	1,088.8	112.2	106.7	113.4	107.9
- payments zone I	98.8	105.9	73.5	77.0	74.4	574.1	107.2	113.9	103.7	105.5
- payments zone II	111.2	112.2	64.9	67.7	64.5	514.7	119.3	92.8	113.0	102.6
	CONSUMER MARKET SITUATION									
Population's money incomes (bn ZL)	118.2	119.8	528.9	538.5	533.2	4,597.4	122.1	113.3	123.0	124.5
Population's money expenditures (bn ZL)	113.2	122.7	474.7	486.0	494.5	4,107.5	119.4	119.1	123.1	117.4
Retail sales, at current prices, (bn ZL)	112.6	120.6	396.6	405.3	398.9	3,446.4	118.5	115.8	119.3	116.4

1/ including employee cost-of-living supplements and profit-financed bonuses

2/ value at current prices, the dynamics at constant prices

Source: Central Statistical Office (GUE)

Note: The data are preliminary and may be revised.

1985

Specification	September		January-September		January-December (annual plan)	
	in billion zł	Sept. '84 = 100	in billion zł	The same period of 1984 = 100	1984 performance as expected (at the time of drafting '85 plan) = 100	
I. Incomes, total of which:	533.2	123.0	5,597.4	124.5 ^{2/}	117.0	116.8
- social benefits	86.7	117.8	741.5	112.6	111.6	111.9
- credits received	15.7	132.5	152.7	113.7	116.5	113.7
- earnings from sale of farm produce	102.7	123.3	643.2	118.0	107.2	107.5
II. Expenditures, total of which:	594.5	123.1	4,107.5	117.4	117.5	116.4
- purchase of goods	376.9	122.3	3,254.1	115.7	117.7	115.2
- purchase of services	59.4	122.4	465.4	123.4	117.7	115.2
- taxes and fees	32.6	126.1	184.9	132.4	114.7	124.2
- credits repaid	14.9	126.5	77.2	120.9	113.8	115.3
III. Changes in the state of population's money reserves of which:	38.7	121.7	189.9	254.8	108.0	124.0
- saving deposits	25.9	138.0	316.7	302.6	113.3	x
- cash	12.8	98.0	173.2	197.6	98.3	x

Note: The data are preliminary, and partly based on estimates.

Sources: The National Bank of Poland (NBP)

1/ Wages are not separated, because of changes in the method of their presentation.

2/ If the equivalent of spent savings-revaluation bonds (21 160 billion) is deducted, the index will be 120.0%.

3/ Including the equivalent of unrealized savings-revaluation bonds (108.5 billion).

figure was 78,200, or 9.5 percent less than in the same period of 1984. This compares with the 6.7 percent fall planned in the CAP.

Agriculture

This year's harvest estimates are 23.5 million tons for four major grains [wheat, rye, barley, and oats] (or some 3 percent less than last year), above 1 million tons for rapeseed (up 15 percent), 36-38 million tons for potato (close to the previous year's level) and 15 million tons for sugar beet (down 8 percent). Estimates for fruit and vegetables are down 14 percent and down 8 percent, respectively.

But the national crop is assessed as not worse than the multi-year average. Last year, conditions were simply much better than average.

Favorable trends also continued in animal production. Livestock procurement rose 7.4 percent in the year ended September, and in three-quarters-on-three-quarters terms it went up 8.9 percent. There are grounds to expect that the actual annual growth-rate will be around three times as high as the plan target of 2.5 percent. This is confirmed by data on state-farmer contracts for the delivery of pigs in the fourth quarter, providing for a 28 percent increase on the same period of 1984.

Indicators of livestock-production profitability were relatively stable. Free-market prices of grains rose 6.5 percent on the same period of last year, or much below the inflation index. But the seasonal September drop in potato prices in private trade among farmers was slightly lower than in the previous years. Free-market prices of piglets declined slightly (down 6 percent in September-on-August terms).

Foreign Trade

The September developments in foreign trade did not differ from those in the previous months. In trade with payments zone I, in terms of transferable roubles, exports rose 26.5 percent September-on-September (and by 10.5 percent in three quarters) and imports by 11.6 percent (8.4 percent). The trade deficit with the area reached TR 415 million at the end of September 1985 (against TR 496 in the same period of last year).

In trade with payment zone II, in terms of US dollars, exports rose September-on-September by 6.4 percent (down 3.7 percent in the three quarters), while imports increased 27.9 percent (up 7.3 in the three quarters). The trade surplus with the area reached US\$797 million after the three quarters (against US\$1,201 a year earlier). The biggest delays in exports settled in currencies of capitalist countries were reported for engineering industry products (only 52 percent of annual plan implementation after the three quarters).

The Market and the Money

The biggest discrepancies between the economic developments and the annual plan targets were seen in the field of consumer market and money supply. The population's money incomes rose 23 percent September-on-September, and 24.7 percent three-quarters-on-three-quarters. This compares with the annual plan target of up 17 percent. According to the CAP, these incomes were to approach Zl 6 trillion, but the actual figure is likely to reach Zl 6.3-6.4 trillion.

As the market supply was still insufficiently attractive, the population's money expenditures were lagging behind the incomes growth. September saw a higher increase in retail inventories compared to previous months, but many groups of consumer durables were still in short supply. Although in September the population's money expenditures were rising at a slightly faster pace than in the previous months (23 percent September-on-September), the three-quarter dynamics was still below plan (17.4 percent and 17.6 percent, respectively).

As a result, the population's money reserves rose in September by Zl 39 billion, raising the reserves increment since the beginning of the year to nearly Zl 490 billion. According to the Central Annual Plan for 1985, the population's money reserves were to grow by Zl 310 billion, including the almost Zl 160 billion equivalent of savings revaluation bonds. Now, there is every indication that the growth of the population's money reserves throughout 1985 will top Zl 600 billion, and may even approach Zl 650 trillion, or twice as high as originally planned.

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CSO: 2020/35

POLAND

WORKERS SET UP OWN, UNION-BACKED SCRAP METAL RECYCLING VENTURE

Warsaw PRZEGLAD TYGODNIOWY in Polish 13 Oct 85 p 4

[Article by Leszek Konarski: "Unionists Set Up An Enterprise: Autonomy, Self-government, and Now Profit-making Operations"]

[Text] Union members at the Lenin steelworks (HIL) in Cracow followed the example of the steelworks-sponsored sport club Hutnik, which runs its own repair and construction business to prop the club's finances. On October 1 they created an autonomous, self-managing and self-financing enterprise affiliated to the Independent Self-governing Trade Union of Employees of the Lenin Steelworks. This is the first union-operated services and production enterprise in Poland. Sixty percent of the profits made by the Post-Production Materials Salvage and Processing Plant is to go to the HIL union's bank account. The union hopes to use this money to reduce members' dues and to increase its holidays fund.

The idea of creating a union-operated enterprise was first launched during the HIL union's second conference in 1983. Many of those taking the floor then urged to seek ways of cutting union dues, which, although they are only 1 percent of earnings, amount to Zl 400-600 a month, because wages at HIL are high. Because the steelworks has always had trouble trying to gain old iron from its own slag dump extending over an area of 120 hectares off Pleszew, the delegates at the union conference urged the HIL union council to found a union enterprise which would take care of gaining salvaged materials from the Pleszew dumps.

When the Lenin steelworks was designed late in the 1940s, nobody bothered to think if the slag and the iron and steel conglomerates to be found in dumps could be used in any way. The 30 hectares of land within the steelworks' confines was soon covered with a 20-meter thick layer of slag, and a new site had to be found near Pleszew. By now the old and the new dumps together cover some 130 hectares of land, hiding thousands of tons of old iron. Another site, called "garbage dump" by employees, holds plenty of bricks, old paper, wire, bars, all kinds of things discarded during construction works done at HIL.

"These dumps are an El Dorado," says the driver of a huge Belaz-type truck waiting for his payload of slag. "Just look how much old iron is being uncovered by this excavator. If this can be collected, thousands of wagons of ore could be saved."

During the first dozen or so years of the steelworks' life nobody cared to see just how much iron could be found in the "garbage dump." Private scavengers were the first to get the idea to collect the scrap and to sell it to HIL. They all made little fortunes. Early in the 1970s, a private old iron scavenger reportedly earned five times as much as the average HIL worker. That paradise for old iron scavengers induced the HIL managers several times to try to foist a corset of organization on that work, but unsuccessfully. Nobody will readily give up good proceeds. It was only in 1977 that the cooperative sector struck a deal with the scavengers. The Cracow Voivodship Cooperatives Union (WZGS) signed an agreement with HIL whereby the cooperative union was authorized to operate its Dump Exploitation Department in Pleszew.

The individual scavengers were organized into groups and equipped with implements, but they had to find and buy such things as fuel or tires on their own. Their earnings were dependent on the amount of old iron they collected, but one group was allowed to work only for two weeks a month. The official argument was that the two weeks off in a month were granted because work on the dump was very hard, but everybody knew the real reason was to undercut those people's earnings. In the two weeks of his work on the dump an average scavenger earned some Zl 40,000.

Each group of scavengers had its own "accountant" in charge of the common fund which was used to pay for the group's own purchases, among other things for diesel oil for tractors and excavators. The "accountants" were a thorn in the flesh of the HIL management because they deprived those working on the dump; when no railway wagons were on site, an "accountant" would go to talk to railroad employees and promptly an entire train would arrive; he seemed to have no trouble bringing heavy-duty equipment or trucks to site; and, he would pay for such things out of his own wallet without those countless bills and receipts. An "accountant" would calculate his cost and benefits. Since nobody paid them for idle time, an "accountant" would make sure everything was at hand on time.

For the WZGS, too, the Dump Exploitation Department also proved a goose that lays the golden eggs. With no extra expenses and only by lending their equipment and exercising administrative supervision, the cooperative union earned some Zl 4 million in profits year in year out. At present there are 108 scavengers who sell 5-6,000 tons of old iron and some other salvage materials, mostly ceramic waste, to HIL.

There are also members of a Voluntary Scavengers Group from among HIL employees on the Pleszew dumps. The boundary line separating them from the WZGS people's plot is running across the dump, but despite this different quarrels and even brawls break out now and then. Each side believes the others have more old iron in their plot. Sometimes, too, they purloin each other's old iron heaps ready for shipment. Letters these two groups of scavengers have been exchanging abound in invective and bile.

I can well understand the economic thinking of the WZGS "accountants" who would calculate how much it paid for them to bribe a railroader, but I am totally at a loss when trying to figure out HIL's own calculations. The dump is its own property; the slag in it too, because it was brought over from HIL blast furnaces or converters. So why is HIL paying the scavengers a full price for something which is its property all right? Why isn't it paying just the price of labor?

The union-sponsored enterprise is now in the process of organization. A special annex housing administrative rooms and facilities is already standing. The enterprise has its own tractor with a trailer, a delivery van, and an excavator. It is taking on its first employees. At first it plans to take on 12 full-time employees plus some 300 part-time workers and scavengers working in a piece-work system. Members of the Voluntary Group will also be given jobs. The HIL management terminated its contract with the WZGS as of October 1 so that since this date onwards the union enterprise is supposed to be the sole host on the dump. However, the WZGS chairman has appealed this decision, which will extend the usual three-month termination period to a whole year. Two enterprises will be collecting old iron till the end of August 1986: one operated by the WZGS and another by the HIL trade union. People working on the dump said the union-sponsored enterprise will have no easy life on it. One member of the HIL worker council, who is in charge of organizing the new enterprise, found the body of his car bashed in all over with a lever. The foundation of the union-sponsored enterprise means the dissolution of another and lost jobs for 100 people.

The first-ever enterprise to be created within the framework of the All-Poland Trades Union Alliance (OPZZ) never promised to be an easy process. The absolutely first thing to do was to check if the Council of Ministers resolution No 446/58 of September 17, 1958, on commercial activities of social organizations still held, because that decision furnished the legal foundation for the operation of business enterprises controlled by the now defunct CRZZ union federation. After long disputes it was eventually found that the 1958 decision still held. But later it turned out the HIL union's statutes said nothing on earnings for employees of union-operated enterprises. So the union asked a court to include the following sentence to its statutes: "The trade union is authorized to engage in commercial operations after agreeing with the HIL management on the particular kind of operations it plans to undertake and after the Finance Minister has given his consent."

But the Finance Minister wanted to know which body would control the proposed enterprise. The HIL trade union, of course, would be the parent body. But, could it act as a control body for the enterprise? This question proved so involved that the union had to ask the Council of Ministers for a decision. A final answer was supplied at long last with the Council of Ministers executive order No 6 of March 26, 1985. The Prime Minister entrusted the ministers responsible for metallurgy and for the building materials industry with the duty of controlling the union-operated enterprise. On the strength of that decision, the Finance Minister endorsed the creation of the Post-Production Materials Salvage and Processing Plant and defined the range of its commercial operations.

The union members from HIL are now allowed to collect steel and pig-iron conglomerates, old steel, ceramic waste, nonferrous metals, wood and old paper, and they can sell unsized slag. The new enterprise can also make hollow bricks, curbs, sidewalk slabs, gates, grids, fence stanchions, as well as render services such as painting interiors, repairing building fixtures, or maintenance

and conservation of construction and transport equipment. All raw materials collected in the dump can be sold to public or private companies as well as to private citizens. Although its range of operations is defined very widely, the union enterprise will depend on sales of old iron to HIL for the bulk of its revenue.

"At first we plan to collect 1,400 to 1,700 tons of old iron a month," says Jerzy Czarnopyska who heads the new enterprise. I think we will be able to supply the worker council with Zl 1 million in cash each month, maybe even more."

The atmosphere at the annex is one of confidence and willingness to work hard. They hope that even if they fail to make the dump smaller in size they will at least prevent it from growing even bigger than it already is. For the first time since its creation, the dump began to shrink in 1978 and 1979. But later came the fuel crisis and the dump again began to grow, which cost HIL a great deal in penalties for environmental pollution.

The mood in the annex used by the WZGS scavengers is entirely different. "All of our men already knew we'll have to leave the dump by August next year," says Tadeusz Drozd, the man in charge of the WZGS Dump Exploitation Department. "This is an excellent job especially for farmers from nearby villages, for they can tend their till for two weeks before spending another two weeks on this dump here. People have become nervous and insecure. One foreman handed his resignation yesterday because he no longer wants to stay with an enterprise which is about to be closed down."

The HIL management backs the new enterprise because it wants the dump to be worked by one company only which will do everything it can to reduce the amount of slag, old iron and other waste products there. Besides, quarrels about zones of influence, bribing machine operators and drivers will at long last come to an end. On top of this, the union will keep the considerable proceeds from selling the old iron, which means that money will remain at the steelworks.

Leafing through the new enterprise's statutes I found no mention of trade union. The only sentence that caught my eye was, "The political and public organizations operating at HIL must not affect adversely HIL's economic performance by their own undertakings." The HIL union leaders assured me the union will also work in the new enterprise, but nobody could tell me the new union's name. Will it be an Independent Self-governing Trade Union of Employees of the Post-Production Materials Salvage and Processing Plant of the Independent Self-governing Trade Union of Employees of the Lenin Steelworks?

This is roughly all that can be said at this point about problems which arise when a trade union wants to become an employer.

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POLAND

CORPORATION DIRECTOR ASSESSES REFORM EFFECTS

Warsaw ZYCIE WARSZAWY in Polish 18 Oct 85 pp 1, 2

[Interview with Henryk Miskiewicz, Director of the Megat Amalgamated Corporation of Power Equipment Producers, by Marek Kownacki]

[Text] Question: Once in the past you were the director of the Megat Industry Board, then you headed the Megat Association, and since several days ago you have been running the Megat Corporation. ["Wspolnota"] Is it the result of your personal qualities, or perhaps the differences between these three organizations are infinitesimal?

Answer: Appointments for such post are made by the minister and it is he who assesses my job. And as for the three successive organizational forms of the power equipment industry that you have mentioned, they differ substantially especially as regards the corporation which has the status of a multi-plant enterprise and which operates in accordance with the provisions of the State Enterprise Law.

Question: The new enterprise comprises units previously affiliated to the Association. Is it not just another change of the signboard?

Answer: Nothing of the sort. The form of an association means an agreement among enterprises--either voluntary or mandatory--aimed at pursuing the economic interests of each member.

The establishment of the corporation should ensure favorable conditions and complementarity for the development of the whole power machinery industry. The corporation, while integrating constituent units, assumes at the same time some important managerial functions.

Question: Does that mean that the enterprises enjoyed too much autonomy?

Answer: The problem should be viewed slightly differently, in the context of historical developments and the objective set for the industry.

Still in the times of the industry board, we had a concrete development program. It is obvious that the equipment for power plants, distribution stations, or power grids comes from a host of producers. But all these pieces of machinery must be at a similar technical level, if the final product, e.g., a power station, is to be worthy of its name. So, we had a program for the development of individual enterprises, but the wherewithal was always lacking. Implementing a comprehensive program of development is out of reach for a single enterprise--both in financial and organizational terms.

Question: Wait, your industry was among the sectors that received big injections in the 1970s, wasn't it?

Answer: That is correct, but only a portion of the industry was then expanded or modernized. For example, we now have sufficient capacities for the production of power-generating units, boilers, and many items for nuclear power stations. But we still were left with some technical problems involved in the production of huge turbines, transformers--at the Belchatow project they had to be imported--and sophisticated high-voltage apparatus.

Such was the state of the industry when the economic reform began.

Question: The reform calls for an expansion at a faster rate than before.

Answer: Expansion is possible when there is the money. And in our case, this must be a lot of money. The industry board supplied enterprises with resources for modernization, but under the association they were left to themselves and could rely on their own funds.

Question: With autonomy, they were allowed to distribute their own money, also for development purposes, weren't they?

Answer: Are we talking about autonomy or about the money? If our recent experience is any guide, no enterprise--even a very big one--is capable of running a major modernization program exclusively on its own. For example, the corporation's member ZWAR needs now around Zl 4.5 billion to modernize the production of high voltage apparatus. It stands no chances for earmarking such an amount by itself, nor can it expect big credits.

Question: In other words, this means the loss of autonomy in exchange for development subsidies?

Answer: Enterprises' access to the corporation has never been a subject of bargaining. Unofficially, I can tell you that most directors supported the corporation without reservations.

Owing to the extent of its economic activity, the corporation can provide better conditions for production and sales, especially in foreign markets, and consequently it provides greater opportunities for generating development resources. By acting within the corporation--which should become an authentic coordinator of contacts among constituent units, and a body enforcing high efficiency at these units--directors will gain a sense of security and will be provided with a back-up for decisions taken within their enterprises.

Question: These are primarily the economic decisions. Does that mean that previously the directors feared they would not succeed, or that without external support their firms would go bankrupt?

Answer: To some extent, yes. But tell me, would it be appropriate if any enterprise were allowed to go bankrupt? In the final analysis, bankruptcy--if it does happen--should bring concrete economic and social advantages, as expressed in the discontinuation of spending on an uncertain business. But I challenge anybody to prove that the economy would benefit from the bankruptcy of, e.g., Lodz's Elta, the country's sole maker of big transformers for the power industry. It is natural that each enterprise may experience periodical difficulties--and not necessarily the management is to blame.

Question: Let us turn back to the form of association. In many cases it does play a useful role.

Answer: Of course, there are such cases. One of them is the Megat Association which, in my opinion, discharged its statutory functions, although I have many reservations about the way it was being done.

In theory, the association should come to the assistance of the member enterprises. In practice, there is a gap between objective requirements related to cooperation among enterprises and assistance granted them on the one hand, and the legal powers vested in the associations on the other. I daresay that often it is only the so-called informal connections of the personnel of associations that save them many troubles.

Question: You lay yourself open to the charge of undermining the principles of the reform.

Answer: This would be an ungrounded charge. The formula of association has not stood the test, as far as our industry is concerned. National economic and social considerations require that organizational forms in the industry should be closely integrated.

Question: Could it have not been achieved within the framework of the association?

Answer: Absolutely not, given the existing operating principles at associations. Take one example. A small enterprise recently needed Zl 5 million for the purchase of two machines necessary to improve the quality of production. It did not have this money, and so didn't the association. The problem remained unsolved.

But I do not think that the regulations governing the operation of associations should be changed. This form has its rationale and should be continued. But it failed to prove out in our sector, and--I believe--in some other ones as well. I am firmly against a mass switch to the form of corporation by all associations. Such changes should be subject to approval at the highest state level.

Question: Here again you give arguments to those claiming you are an opponent of the reform.

Answer: Not at all. Just consider what our sector is for the national economy. Let me quote the statutory objective set for our corporation: to meet the national economy's demand for power-generating and industrial machines and equipment, and for spare parts--in accordance with the requirements stemming from development programs of the power industry and other branches, and with export requirements--and to ensure the efficiency of these operations. So the objective is superior to interests of individual enterprises, and this is how things should stand in our sector.

Question: What will be the losses and gains of enterprises subordinated to the corporation?

Answer: We have been asked this question constantly--also by the Government when it was considering the subject. The answer is complex, and it would be hard to put in just one sentence.

With some simplification, the losses--as perceived by constituent units--include the loss of the status of an enterprise and the related limitation of autonomy. Among the benefits is the possibility of a harmonious development of the plant--and the sector--even if its own funds do not match its development needs.

Question: Which means taking away from the strong and the well-run and supplying the weak. Is it not a contradiction of what the enterprises have won under the reform?

Answer: No plant in the corporation is economically weak, and under the internal economic/financial system, plants have a right to resources generated by themselves, which includes the right to distribute the earned profit among the workforce.

The organizational changes introduced in our industry proceed from efficiency requirements. Analyses of financial performance in an integrated pattern have revealed opportunities for generating vast financial resources.

Question: Could you be more specific about where these funds for development are to come from?

Answer: As I already said, a major objective set for the corporation is to intensify exports, and this is where I see one source of development funds. Megat's position in the world is not bad, we sold a lot of machinery and turn-key projects. There are changes that foreign sales will grow. At present, exports account for 25 percent of total sales, which, given the size of our productive potential, is too little. We will seek to boost this share up to even 50 percent. The biggest money is earned from comprehensive supplies, and if we want to get it each plant will have to contribute. Each plant will also participate in the profits of the corporation. We also want to take care of the organization of these exports.

Question: Are you going to part with foreign trade agencies?

Answer: No, I just want to convince our partners from these agencies that in exchange for their intermediary role they should receive only as much money as is reasonable. It was not always so in the past.

Question: It is also suggested that the formula of the corporation contradicts the anti-monopoly principles.

Answer: The anti-monopoly principles, or rather anti-monopoly rules concern the protection--in the broad sense--of economic competition is rendered possible by the existing structure of the productive potential. In respect to our industry, the word "monopoly" means the sole producer of a given product. For various reasons, competition in our sector is impossible both in near and more distant future. For example, Raciborz's Rafako will remain the only maker of big power boilers and Elblag's Zamech the sole producer of turbines. The protection against possible monopolistic practices by member plants or by the corporation is provided by the existing economic/financial system and, in future, by additional anti-monopoly regulations.

In conclusion let me present an example which provides evidence that the form of multi-plant enterprise is better than that of association. In foreign contacts, the prospective buyer asks for the balance-sheet of the exporter. The Megat Association could not present such a balance as it did not compile it, while individual enterprises were no match for powerful Western competitors. The Megat Corporation is prepared to take up the challenge--and, I believe, with good results.

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POLAND

IRON-STEEL INDUSTRY MODERNIZATION PROGRAM

Warsaw ZYCIE WARSZAWY in Polish 22 Oct 85 p 3

[Article by Andrzej Zmuda: "Iron/Steel Industry Plans: Output Not Necessarily Greater But Lighter"]

[Excerpts] In May 1984, the Council of Ministers adopted a very important executive order on the modernization and expansion of the iron/steel, refractory-materials, coking, and nonferrous industries (see ER No 41-94 of May 22, 1984).

As far as the raw material segment of the steel/iron industry is concerned, we have to abandon a number of blast furnaces (producing pig iron), and a dozen-odd open hearth furnaces (making steel). In the contemporary world, dominated by the much cheaper and less energy-consuming electric furnaces (and converters in particular), the O.H. steel is now a relict of the past. In Poland it still reigns supreme.

But in order to realize these plans, the so-called steel line at the Huta Katowice complex has to be developed, which means the continuation of the program started in the 1970s. What is needed is the construction of the third blast furnace, the third converter, the fourth sinter strand (for ore preparation) and the expansion of power-generating, water-supplying, transportation and other departments.

Also two continuous-casting machines yielding substantial energy and raw-materials economies, have to be installed.

When all this is achieved--at the estimated cost of more than Zl 86 billion in 1984-1987--it will be possible to plan the reduction of output at the old mills--by more than 750,000 tons of pig iron and 1.5 million tons of steel per annum. These quantities are to be provided by Huta Katowice.

Some of the new plants are already under construction, e.g., the third blast furnace of the capacity of 3,200 cu.m. (just as its two predecessors). The furnace consumes energy more sparingly and is less expensive in operation than the smaller ones, yet it has provoked much controversy. Some people ask: what if one of the three blast furnaces is shut down for repairs? Where will we find the pig iron for the converters in the required liquid form? The

flexibility of the blast furnaces is dubious, the more so as repairs are usually time-consuming in this country. Incidentally, the construction of the third furnace [officially halted at some time] has never been radically discontinued. Work was going on under the guise of the "maintenance" of the halted project. Now they say it's good, as otherwise Huta Katowice would have problems with completing the furnace on time, which is planned for the next year.

So, in accordance with the original concept, the character of Huta Katowice is to be mainly raw-material. Work is to stop at so-called Phase I. Recently, not without wrangling of a "2000" sheet-rolling mill was shelved. The already purchased equipment will be resold to Soviet partners. Huta Katowice's semi-manufactures will be further processed by Florian, Pokoj, and Kosciuszko steelworks.

The cost of the "steel line" [zł 86 billion in 1984-87] is substantial, considering the cost of the whole program for the iron/steel industry and ancillary branches--Zł 410 billion to the years 1990 and further Zł 310 billion after that year (at today's prices).

The expansion of processing facilities, production of quality-steel articles, and quality improvement in general are going to absorb Zł 110 billion of the total amount, including nearly Zł 60 billion by the year 1990.

It is also planned that the Lenin steelwork will be modernized--at the cost of Zł 52 billion.

This "minimum program" will thus be a big drain on the economy. In the course of the discussion over draft-plan variants for 1986-1990, the central economic authority was criticized as yielding to the pressure of the coal and steel sector. But, it was retorted, the quantitative increase in the iron-steel industry is to be very modest. The 1990 output of 18.8 million tons will not even reach the 1980 figure. But emphasis is placed on structural, qualitative changes, according to the motto: not necessarily more but at a smaller weight.

Investing in the metallurgical sector is a must. But it is not indifferent how much, when, and with what effects. Let us hope we will not see the repetition of the 1970s when the main thrust was directed at Huta Katowice, with too little money and time left for the old, antiquated plants.

Under government decisions, the mills are to keep 10 percent of their depreciation allowances, while 90 percent will go to the Minister of Metallurgical and Engineering Industries. This means that the iron/steel and nonferrous industries receive a sort of their own source of development funding.

The metallurgical sector is a specific one. Individual mills are linked in a web of coproduction ties. Semi-manufactures travel from one mill to another for successive stages of processing. The same goes all over the world. One exception is the Lenin steelworks where production starts with ore smelting

and ends with, e.g., a zink-plated sheet. For these specific features, the iron/steel industry needs a more centralized management in matter concerning investment, modernization, technological change, and internal cooperation. Some mills, after all, are not bigger than individual departments at the Lenin Steelworks.

Against this background, there emerged an idea--sanctioned in the government executive order 71 of May 1984 (the same which approved the industry's development program)--of establishing a supra-enterprise organization to replace the present association. Incidentally, the Lenin steelworks does not belong to the association, as it operates as a combine.

The draft design of the new organization drew strong criticism. ZYCIE GOSPODARCZE journalist Tomasz Jezioranski defended the autonomy of metallurgical enterprises against plans to crowd enterprises into a new version of old-time industry boards.

The issue is complex, and one has problems with developing an unequivocal position. There is no doubt that the iron and steel industry should pursue a common policy on development and technology. The issue is all the more important as the present association of iron/steel producers--under a government decision of last July--is going to be dissolved at the turn of the year. What next? A combine? A new type of an association? A multi-plant enterprise?

Of late, some details have been brought to light. I have thumbed through the draft status of a multi-plant enterprise initially called the Amalgamated Corporation of Iron and Steel Producers. Among other things, it provides for widespread powers to be ceded to the corporation by the parent body. It is claimed that most enterprises--not only steel mills but also design offices, repair workshops, etc.--have approved the merger.

Personally, I can hardly imagine smooth operations of an enterprise employing upwards of a hundred thousand people, scattered in scores of plants all over the country.

And how is all this going to relate to the now prepared anti-monopoly bill? What about the powers and operation of worker councils? Will any amendments be needed in the Sejm laws on state enterprises and worker self-management?

The draft documents on the corporation were criticized severely by Prof. Jan Muzel in ZICIE GOSPODARCZE No 42.

As I have heard, this kind of supra-enterprise organization is now emerging in the nonferrous mining and processing sector. But there, the combine-like structures have long been in operation. The problem now consists in the inclusion of other enterprises. And the mining and processing facilities lie in close proximity to each other.

But when it comes to the iron/steel industry, I have many doubts. The goal of integration measures--joint and more efficient management--is O.K. But will the new creation prove itself in practical activities? In my opinion, even the old system of management practiced under industry boards was more intelligible. How are such giants as Huta Katowice or Lenin going to coexist with the minute Buczek or Cedler plants?

I think that the whole problem should be thoroughly discussed in its economic, legal and social aspects.

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POLAND

MEAT PRODUCTION, SUPPLY PICTURE DETAILED

Warsaw TRYBUNA LUDU in Polish 28 Oct 85 p 3

[Article by Ewa Fiala: "Almost the Whole Truth About Meat"]

[Text] It is the butchers who cast long shadows on the relatively satisfactory food market. People lining up for meat generally look unhappy and irritated. Some complain about meat rationing only, others about the rationing and the quality of meat available and everybody complains about the amount of meat one is entitled to purchase. You will not find a single person happy with the situation on the meat market.

People keep asking "why?" Why does meat rationing continue? Why are the rations so small? Why is the choice of meat available on the market so poor? The most curious customers wonder what sections a "commercial" pig or feeder cow is composed of and why the best cuts (e.g., pork loin or boneless beef) are almost completely unavailable on the market.

Should one be surprised by such reactions? No, I do not think so. For some time now the news about meat production has been optimistic and some figures could lead people who do not carefully follow the situation to completely mistaken conclusions.

The livestock census conducted this year has indeed filled us with optimism since it revealed that the pig population had grown by about one million in comparison with 1984.

A 5.7 percent increase in the pig population which now totals 17,610,000 tails (while the most optimistic variants of the Central Annual Plan envisaged 17-17.5 million) should certainly be considered a step forward.

The same should be said of sheep. Their population totals 4,840,000 heads, more than ever before, marking a 6.7 percent increase. One should note at this point that mutton is not very popular in Poland and even the hanging up of recipes for tasty mutton dishes at the butchers' has not raised this meat's popularity with Polish housewives.

The cattle population has been estimated at 11,054,000 and cows at 5,528,000 which means that the cattle population in general decreased by 1.3 percent and that of cows by 4 percent.

A million pigs more--this fact indeed appeals to one's imagination and arouses expectations. In addition, when compared with the lowest number of pigs recorded in Poland in 1983 (15,600,000), an increase of as many as two million tails has now been recorded.

Isn't this true? Yes, it is. But it is in fact a sort of a semitruth. Before the critical year of 1983, the situation was much better than it is this year which we are now considering as a successful one. According to the Statistical Yearbook, in June 1975 there were 21,311,000 pigs in Poland and when their population dropped to 18-19 million tails, queues began to show in butcher's shops and customers were becoming angry.

A million or two million pigs are many and few at the same time depending on what this figure is compared with, the appetites of the reality measured according to production capacities and procurement volume.

The fact that the increase has indeed taken place has been reflected by the volume of meat and meat product supplies. Until mid-October this year the procurement of meat totalled 1,321,000 tons in comparison with 1,198,000 tons recorded at the same time last year. A major part of this increase has been the result of greater pork procurement (104,000 tons), which has been reflected on the market. The fact that we have received 120,000 tons of meat more could be considered as a promise of additional meat rations. But the situation is not as good as that. Last year in order to cover the demand for rationed meat it was necessary to import 150,000 tons (mainly pork).

Thanks to the better results expected this year it was possible to reduce these imports to 30,000 tons.

As far as Poland's meat exports are concerned, these have remained at the constant level of 150,000 tons. Out of these, the top quality meat products total one-third and some 110,000 tons meat exports are horse meat, mutton and feeder cattle.

And so the surplus has "diminished" to only 10,000 tons. This is far too little to grant extra rations. But the situation is likely to improve as far as other aspects of the meat market are concerned. At the beginning of this year cold stores were full of meat which means that the additional 10,000 tons and other reserves allowed for greater deliveries of meat and offal to catering enterprises and enterprise shops and for a greater "cooking freedom" at holiday houses and sanitariums.

The most important change, which I believe was felt by everybody, was connected with a change in the structure of supplies. The proportion of pork increased by 13.5 percent. There were also more sausages. While a year ago the proportion of pure meat in shop supplies totalled 55 percent, this year a 1:1 proportion has been introduced and in some cases the volume of sausage supplies had been even 5 percent greater. Moreover, pork has amounted to almost a half of the supplies (47 percent to be exact).

The past and present in the sphere of meat are not as interesting as the future. The above calculations indicate that abundance is still far away, but just how far is important.

In the middle of the year some experts insisted that the rise in production of meat and meat products may be halted. Such prognoses were founded on expected crop figures for grains, potatoes and other root crops. It did indeed seem as if the crops would be poor, but in practice such expectations turned out to be mistaken. After all, grain crops were only slightly lower than last year, with potato crops higher than in 1984, rape much higher, and root forage crops harvested in normal amounts. Less hay from meadows was harvested, but this too depends on the region.

Farmers immediately drew conclusions from these figures, making decisions for future production. The sow-covering index went up by 13 percent and the price of piglets on the markets rose by 5 percent. These symptoms indicate an interest in developing this production line.

Can these trends, however, be considered permanent? It seems so. After all, the basic cause of recession in meat production was the halt in feedstuff imports. The need to limit imports drastically (it may be worthwhile to recall these figures: 7.4 million tons of grains in 1980 and 2.6 million tons last year) gave a shock to the producers.

The farmers have overcome this shock by now. The idea of developing plant production before animal production--an idea propagated by the Agriculture Ministry and science, and actually necessitated by the situation, has materialized. In 1983-85, the rate of agricultural production growth amounted to 3.1 percent annually on average (at constant prices), but it totalled 4 percent in plant farming and 2.2 percent in animal production. Experts also talk of clear adaptation processes in agriculture, consisting in the choice of crops and animals best suited to farming conditions; this trend can be observed on a regional scale as well as on the local scale in villages and farms.

A predominantly domestic base of feedstuffs is surely a decisive factor, but other important matters are involved. Among these, farmers first of all mention procurement prices.

These prices were raised (as of June 17, the price for pigs rose by 17 z1/kg) and are now satisfactory in most cases of the scale of production is sufficient.

The situation in cattle farming is different; although the census indicated a fall in cattle population, this should be split into several segments. The population of young cattle--calves, young bulls and steers--went up by as much as 9 percent, while the population of heifers between 6 and 12 months did not change and those over 12 months dropped by 6 percent.

With some simplification it is possible to assert that there are no causes for concern over beef, but it is time to think about milk with utmost seriousness. This, however, is another problem, and higher procurement prices during the long winter season may alleviate the problem, if not eliminate it altogether.

Going back to the subject of meat, however, the problem of feedstuffs remains the most important one. In fact this also--and perhaps primarily--is the key to profitability as it means more animals at lower cost and with less effort.

Well, a return to the fields is necessary. The fields are a joy to behold, with more and more wheat grown, with better crops and with the success of triticale (this year the demand for seeds could not be met), and it is obvious that great efforts are being made to achieve good results.

This, of course, does not pertain to all fields or all farmers. The deliveries of fertilizers are lower than planned and liming is also behind plan for various reasons not all of which can be explained by transportation difficulties. Land improvement work is too slow, in spite of some improvements, and the role of agricultural advisers and services is insufficient. Zootechnical advice and veterinary care are not perfect either and the art of mixing feeds is well-known to only a few. Services for farmers in this field leave a lot to be desired.

The meat market has improved slightly, but not enough to satisfy. It could be more abundant sooner than we expect, but many difficult conditions must be met before this could happen, and it is not only up to livestock producers to satisfy them.

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